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## LIVING ON THE EDGE: SMALLHOLDER GROWERS' RESPONSES TO A CHANGING TOBACCO ECONOMY IN MALAWI

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LIVING ON THE EDGE: SMALLHOLDER  
GROWERS' RESPONSES TO A CHANGING  
TOBACCO ECONOMY IN MALAWI

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DISSERTATION

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A dissertation submitted in partial fulfillment of the  
requirements for the degree of Doctor of Philosophy in the  
College of Arts and Sciences  
at the University of Kentucky

By

Tony Milanzi

Lexington, Kentucky

Director: Dr. Lisa Cliggett, Professor of Anthropology

Lexington, Kentucky

2017

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## ABSTRACT OF DISSERTATION

### LIVING ON THE EDGE: SMALLHOLDER GROWERS' RESPONSES TO A CHANGING TOBACCO ECONOMY IN MALAWI

This dissertation explores how smallholder tobacco growers in Lilongwe, Malawi, experience and respond to fluctuating and declining incomes, and to a generally unstable market as a result of changes in the global tobacco industry. Policy makers and scholars have for a long-time debated on the question of how smallholder farmers are going to adapt to future institutional and structural changes in global agriculture. Studies on rural livelihood restructuring have revealed that processes of economic globalization have disrupted state marketing institutions, and undermined regulatory frameworks, causing shocks to livelihoods of smallholders across the world. These livelihood shocks affect smallholders' capacities to engage in traditional risk management practices, leaving them vulnerable to future changes in global agriculture. Some studies have called for the strengthening of state and non-state institutions to assist smallholders recover from livelihood crises that result from market shocks. However, the role of these institutions in shaping the perception risk and awareness of the changes smallholders face, which in turn shapes their responses to current and future crises, has not been adequately investigated.

Tobacco farmers in Malawi have in recent years experienced unstable markets marked by fluctuating and declining incomes, at the same time that the global tobacco industry is experiencing institutional and structural changes resulting from the anti-smoking lobby, and changing consumption and production patterns. This ethnographic study examined the perception of risk to long-term viability of tobacco farming and adaptive responses among smallholder tobacco growers. Fieldwork revealed that most growers consider the on-going market instability as just one of the risks farmers must deal with and that they employ a repertoire of coping strategies rather than long term adaptive strategies. I argue that smallholders view the current market instability through the lens of exploitative and inefficient tobacco institutions which preclude them from taking a long-term view about their livelihoods.

KEYWORDS: Rural Livelihoods, Smallholders, Tobacco Growers, Perception of Risk,  
Livelihood Restructuring.

Tony Milanzi

June 27th 2017

LIVING ON THE EDGE: SMALLHOLDER  
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# **Living on the Edge: Smallholder Growers' Responses to a Changing Tobacco Economy in Malawi**

## **Chapter 1: Introduction**

In this dissertation I explore the ways in which smallholder tobacco farmers at Kumala village in Lilongwe, Malawi, experience and respond to fluctuating prices and declining incomes, as well as general instability in the tobacco market as the tobacco industry undergoes restructuring. The question of how smallholder farmers and producers are going to adapt to future global structural change has been at the center of discussion among policy makers, development analysts and academics since the late 1990s (Carletto et al 2008; FAO 2012; Goodman and Watts 1997). Small farmers are said to be more vulnerable to market fluctuations and structural change as they often have fewer resources to cope with the changes (Lyon 2011; O'Brien and Leichenko 2002; Ramisch 2014). Tobacco farmers in Malawi demonstrate this vulnerability at a time when producer prices are fluctuating and declining, and the global tobacco industry is experiencing institutional and structural changes. In recent years a number of factors, including the global anti-smoking lobby, changing consumer tastes, increased competition from other tobacco producing countries, and industry consolidation at the global level (Geist, Otanez and Kapito 2008; Manduna 2003) have destabilized the tobacco industry in Malawi and globally. The rapidly evolving world tobacco market has resulted in fluctuating and declining prices for Malawian tobacco farmers.

My interest in this phenomenon started in 2011 following a tobacco market season that saw growers receive some of the lowest prices in recent times. Official statistics put the national average price for Burley tobacco in 2011 at \$1.13/kg compared to averages above \$1.70 in the mid-2000s (data sourced from Tobacco Control Commission). Tobacco growers at Kumala remember 2011 as the "80 cents" season (most growers received 80 cents per kilogram for Burley, the type of tobacco commonly grown by smallholders). Before this crisis, other authors (Jaffee 2003; Jaffee and Nucifora 2005) had already started warning that the state of the tobacco industry was in gradual decline and was headed for disaster. Since the 2011 price debacle, the instability of tobacco

markets has been a headline in popular discourse as well as policy-making circles. Records show that the national economy has also taken a hit with tobacco revenue declining from an all-time high of \$471.6 million in 2008 to \$275.9 million<sup>1</sup> in 2016 (See Appendix Four: AHL Final Weekly Tobacco Sales Update 12/20/2016).

Following what I considered to be a disastrous tobacco season among smallholders, I wanted to know about the farming populations' knowledge and experience of risks, and their responses to market shocks in the short term. From these discussions, I hoped to gain insights on how farmers react to long-term market shocks resulting from structural and institutional change. In this study I define risk as the probability that some event is going to cause harm (Oliver-Smith 1996; Tucker et al 2010), and perception of risk as an individual's cognition about the possibility of an event to cause harm (Frank et al 2011). For working purposes, the risk event was the possibility of abrupt cessation of tobacco trade as a result of low demand for tobacco products globally. Tucker et al (2010) note that perception of risk is influenced by social and cultural norms of what is harmful, and the individual's tolerance of anticipated harm. Studies on livelihoods adaptation show that smallholder farmers and rural populations in general are accustomed to risks and can proactively deal with variability and change in their livelihoods. My respondents exhibited impressive knowledge about their physical and ecological environment, and they had a repertoire of flexible responses, especially to weather variability. In early 2015, during the course of the study rainfall was erratic. Prolonged rains alternated with dry spells and people feared that tobacco, which lacks resilience to such variability, was likely going to be affected. This gave me a chance to have conversations with people on how they perceive and respond to variable weather conditions. They related that while they could do nothing about the tobacco except replant, resources and rains permitting, they had risk management strategies for food crops like maize. They exhibited remarkable knowledge about the different qualities of a range of seed varieties, including length of growing season and taste. They use this knowledge to spread risk by planting varieties of different maturity lengths on different

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<sup>1</sup> Data sourced from AHL based on 2016 final sales week ending December 20, 2016.

plots. In the worst case scenario, when they realize that rains are going to fail completely, those who are able, rush to their *dimbas*<sup>2</sup> to plant food crops in order to avert hunger.

Studies also show that rural populations have demonstrated adaptability to long term change resulting from structural and institutional stressors such as scarcity of land, loss of access to environmental resources, changing property institutions, weak agricultural markets and oppressive state policies. Adaptive options include migration and multilocal livelihoods (Ramisch 2014), occupational diversification of livelihoods away from the farm, wage labor, entrepreneurship (Archambault et al 2014; Ellis 2000, 1998; Scoones 1998; Sick 1997), and through crop diversification (Ellis 2000; Sick 2014). At Kumala, as in other tobacco growing communities in Malawi, continued fluctuation of prices has made tobacco farming a game of chance where one loss wipes out gains from years before. Yet not many smallholders are keen to get off the tobacco bandwagon, and many more want to join. This prompted me to investigate growers' perception of risk of long term viability of tobacco livelihoods in view of declining demand in western countries as a result of global anti-smoking initiatives. I hypothesized that growers who perceived the on-going market instability as a prediction about the long-term viability of tobacco livelihoods would be more likely to make crucial adaptive changes than those who saw this as part of normal risks of a farmer's life.

### **1.1 Overview of the Argument**

In this dissertation I examine the paradox of a relative lack of diversification away from tobacco following a spate of price fluctuations culminating in the 2011 season when farmers in Kumala received the lowest prices in living memory. Specifically, I ask questions about smallholders' perception and responses to uncertain viability of tobacco farming in the long term, and the role of institutional context in shaping growers' perceptions of a crisis, and choices for adaptation. The central questions driving my research are *how do smallholder tobacco growers in Lilongwe experience and respond to market instability and structural change in the industry? And what role do institutions in the tobacco industry, such as market and regulatory institutions as well as tobacco*

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<sup>2</sup> Dimbas are small plots of land found in wetlands along rivers where in the dry season people grow mostly horticultural crops using hand irrigation techniques.

*companies, play in shaping the perceptions of long term viability of tobacco among smallholder growers.* I examine smallholders' perception of risk and response to market instability through the lens of (i) tobacco as a liberalized but still most significant export crop with implications for household and broader rural and national economies, and (ii) the involvement of state and non-state institutions that manage the tobacco industry following decades of neoliberal restructuring.

## **Tobacco**

I examine tobacco with regard to its place in the national economy and in the national imagination, as well as its place in the livelihoods of family households and communities. Since colonial times tobacco has been designated as a crop of strategic importance to the economy. Both the colonial and postcolonial governments were careful to ensure that only farmers who had the 'technical know-how' to produce the best leaf were permitted to grow the most lucrative types of tobacco. This was to ensure that Malawian tobacco maintained a good name on the global markets.

Four types of tobacco are grown in Malawi; Burley, Flue-cured, Northern Division Dark Fired (NDDF) and Southern Division Dark Fired (SDDF). Burley the light air-cured tobacco primarily used for cigarette production is by far the most common type of tobacco in Malawi. It is primarily grown by smallholders on family farm plots using family labor. Burley's major attraction is that it fetches higher prices as compared to the dark-fired varieties. In addition, it is relatively easy to cure as compared to Flue-cured tobacco. Burley only requires a shed with open sides where the tobacco leaf is hung to allow the air to cure it. Flue-cured tobacco (also known as Bright leaf tobacco) is the most profitable but it is also capital and labor intensive. It requires brick curing barns with flue pipes to carry heat from the outside into the barn. The cost of curing barns, fuel wood and labor are beyond the reach of most smallholder growers and as such it is only grown by estates and well established smallholders who may be supported either by state owned parastatals or by leaf companies. The aromatic dark-fired varieties (NDDF and SDDF) are mostly used in smoking pipes and they have the longest history with smallholders. These were the types smallholders were allowed to grow prior to the liberalization of



Burley. They are heavy flavor varieties cured through direct fire heat but intense processing requirements and low prices make them less desirable to smallholders. In my field site Burley was the only type of tobacco grown.

When in the early 1990s government liberalized the lucrative Burley tobacco in concert with the general liberalization of the economy to allow smallholders to participate, Burley was hailed by government and its development partners as a panacea that would end poverty for millions of smallholders in Malawi (Orr and Mwale 2001). A number of researchers undertook studies on smallholder tobacco production in Malawi to investigate the effects of economic liberalization in general, and the liberalization of tobacco in particular on the welfare of smallholder farmers (Harashima 2008; Orr 2000; Orr & Mwale 2001; Peters 2006; Takane 2006). These studies documented the effects of liberalization on individual farmers and the rural sector as a whole. Peters (2006) found that incomes of households that had adopted Burley rose by 59% between 1986 and 1997, in large part because of the contributions from tobacco incomes. Orr & Mwale (2001) noted that liberalization of Burley had stimulated livelihood diversification and stimulated demand for rural trade and services via increased smallholder incomes. It had also promoted investment in rural areas. They further noted that liberalization had reduced circular migration of smallholders who used to work as sharecroppers on tobacco estates. Other researchers noted that Burley growers had a large proportion of income from agriculture as well as high income from non-farm sources (Harashima 2008, Takane 2006). Orr (2000) noted that a high proportion of Burley growers planted hybrid maize and applied commercial inorganic fertilizer to it, and concluded that liberalization had had an impact on the adoption of new technologies in maize farming. Although these authors noted that Burley was a profitable crop for smallholder farmers, they concluded that it was not a panacea for poverty reduction in Malawi. Orr (2000), Peters (2006) and Harashima (2008) found that Burley was grown by better-off households; households with enough land, labor and access to capital. They further noted that although Burley would reduce poverty, it could not necessarily improve food security and nutrition as framers of the liberalization process had hoped. In the Malawian context, high per capita expenditure did not necessarily result in increased expenditure on food (Orr 2000).

If tobacco was popular among policy makers and donors, it was even more popular among farmers. Thousands of farmers who had been growing the laborious and less remunerative dark-fired tobacco varieties took to Burley. In 1990 the number of registered Burley growers was 8,707 (large and small estates), but by the time liberalization went into full swing in 93/94, 30,549 smallholders in 1,318 clubs had joined. Today, even as growers lament that tobacco sales are not as good as they were, they still point to brick and iron-roofed houses they built when tobacco was still good money. They reminisce about the livestock, the motorcycles and other consumer goods acquired through tobacco farming. Many think those days are coming back.

Although tobacco retains the aura of a money maker, recent thinking has begun to question the notion of tobacco profitability. In a multi-country study to understand the economic and institutional factors that promote tobacco production, Makoka et al (2016) assessed the profitability of production between independent growers and growers contracted to tobacco leaf companies. They observed that the cost of family labor is not included in profit calculations propagated by the tobacco industry. They noted that when labor costs are included, independent farmers made a loss of \$37/acre as opposed to a profit of \$417/acre when labor was excluded. Contract farmers made a modest profit of \$224.3/acre with labor costs included, as opposed to \$630.10/acre when labor costs were not factored in. In the wake of declining revenue and market instability, analysts have focused on the institutional set-up of the tobacco industry. Koester et al (2004), World Bank (2004), Prowse (2011) and UNCTAD (2011) employed the global value chain approach to explore the context and institutional structure of the tobacco industry in Malawi to unveil factors that hinder profitability of tobacco among smallholder growers. These studies found that the industry is poorly regulated due to capacity challenges by regulatory agencies. They also noted that monopolistic tendencies in a market dominated by three giant leaf buying companies and illegal collusion among leaf buyers made for an uncompetitive industry that disadvantaged smallholder growers. These macro-level factors have implications on the livelihoods of the smallholders.

In this study I sought to add to this critical approach towards tobacco by exploring the lived experiences of tobacco growers as they deal with uncertainty and declining incomes. This is the side of tobacco that has only recently begun to be discussed. In my conversations with tobacco growers at Kumala, many growers related that they had gone through the experience of receiving low prices at the tobacco market. From these, I wanted to know why they still kept growing tobacco, a cash crop that had become unpredictable over the years. Key to this was understanding the economic role of tobacco in the household and in the community but also understanding the cultural meanings associated with tobacco farming. Also important was understanding how production is organized within the household, how growers internalize loss, and how they sustain their farming livelihoods after making losses at the tobacco market. Ultimately, I wanted to get at considerations that go into long-term decision making processes. Do the recurrent experiences of loss lead to increased adaptive capacities to help them resist or manage future market shocks?

### **Institutions**

I also explore growers' perceptions through the lens of tobacco and the institutional arrangements around it. Tobacco is a commodity grown in a national context where for a long time, state institutions played a heavy role in financing, production, marketing and regulation of commodities. With tobacco, alongside other commodities designated as special crops, the state dictated where and how it was grown, and it provided the marketing and regulatory infrastructure; both institutional and physical. Prior to liberalization of the economy and of the tobacco sector, a dedicated state owned financial institution, Smallholder Agricultural Credit Administration (SACA) financed smallholder production of tobacco, and another state owned company, Agricultural Development Marketing Corporation (ADMARC), collected smallholder produced tobacco, provided transport and storage and sold it at a state owned auction market. The paternalistic state not only shielded smallholders from the vagaries of global markets, it also ensured that the reproduction of rural livelihoods was dependent on specific state institutions (Bair and Hough 2012). Domestic liberalization mandated

by structural adjustment programs (SAPs) led to trade liberalization, and withdrawal of the state from a lot of areas including banking and agricultural marketing (Dorward and Kydd 2004). Eakin (2006) and Leichenko and O'Brien (2008) note that farmers' exposure to market risks is heavily influenced by the institutional context of production. Studies on rural livelihoods under economic restructuring note that the disruption of state marketing institutions and undermining of regulatory frameworks under economic liberalization caused shocks to the livelihoods of small producers and growers across the world. These disruptions affected smallholders' capacities to engage in traditional risk management practices and left them vulnerable to future changes in global agriculture (Bonnano 1994; Goodman Watts 1997; Preibisch et al 2002; Swinnen 2007; Tucker et al 2010). Post liberalization, tobacco farmers in Malawi find themselves needing to interact with familiar and new institutional players including clubs, cooperatives, regulatory institutions, financiers, and leaf companies. All these acting in lock step, albeit with divergent interests, influence the livelihoods of growers and their communities. The only difference this time is that there is no paternalistic state to guide the small growers through these interactions.

Some studies on economic restructuring and livelihood crises have highlighted the role of state and non-state institutions in the recovery process. In the case of developing countries, authors of these studies have called for the strengthening of state and non-state institutions to assist small farmers and producers cope and recover from the ensuing livelihood crises (Babin 2012; Bacon 2005). Furthermore, they have called for the incorporation of smallholder growers and producers in global value chains such as fair trade and organic farming networks (Fernandez 2014; Oxfam 2006; UNCTAD 2013). Although these authors recognize the role of institutions in facilitating the recovery of small producers, they neglect their role in shaping the perception risk and awareness of the changes they face, which in turn shapes their responses to current and future crises. This approach further neglects the historical and political dynamics of the way state and non-state institutions relate to smallholders, and how these dynamics influence or restrict the roles institutions can play to help with the recovery process (Eakin et al 2006). Besides, the uncritical call for the incorporation of small producers into global value

chains neglects the asymmetric power relations between smallholders and global agribusiness. For this study, I sought to explore smallholders' experiences with the key institutions with which they interact regularly, including regulators, leaf companies, growers' clubs and associations. I also explored the institutions' approach to the on-going livelihoods crisis. My aim was to understand their take on the crisis, and what role they were playing to help smallholders recover from it. I wanted to delve into the institutional narratives surrounding the market instability and the declining prices. I wanted to know what signals smallholders were getting about the future of tobacco from the market and regulatory institutions. While government, leaf companies and growers associations were uniformly clear in their pronouncements about the bright future of tobacco, their narratives about the predicament of smallholder growers were framed to push responsibility for the crisis towards the grower. Pronouncements about the future of tobacco told the farmer to keep growing, and yet prices did not match that rhetoric. This divide between the state and the industry on one hand, and the smallholder on the other, complicated my efforts to understand the livelihood crisis, leading me on a quest to explore the dynamics of state and smallholder relations. This investigation highlighted the marginal position of the grower in the global tobacco commodity chain, and the role of state institutions acting in concert with private actors in shaping smallholders' perceptions of risk and awareness of long-term changes in the industry.

## **1.2 Theoretical Framework of the Study**

This study calls for linking the ongoing structural changes in the agricultural sector both at national and global level to the lived experiences of tobacco growing households and their communities. I utilize two theoretical frameworks; the agrarian political economy and the livelihoods approach, to understand changes in the agrarian sector and the mediating factors that shape the responses to change among tobacco growers.

I draw on scholarship from agrarian political economy to understand the livelihood crisis among tobacco growers at Kumala which is happening in concert with changes in the structure of global agriculture. I employ the political economy approach to understand how the development of capitalism is unfolding in the agricultural sector,

especially the changes wrought by processes of neoliberal agrarian restructuring that call for the liberalization of international trade in food and agricultural goods, deregulation of domestic agricultural markets, privatization of agricultural parastatals, and the introduction of new property rights regimes in a bid to increase productivity and integrate rural producers into global markets (Akram-Lodhi 2007; Bair and Hough 2012). In addition, I use the political economy approach to understand how changes resulting from these dynamics are further changing social dynamics in the rural areas. I further use the agrarian political economy approach to frame my discussion on the organization and workings of the institutions of the tobacco industry in Malawi, to highlight how key institutional actors access power and wealth through rent seeking and other practices, and how they collaborate to maintain the existing institutional set-up, and perpetuate the growing of a crop whose long-term viability is in doubt. This approach allows me to shed light on a hierarchy that separates growers from the elites of the industry, and how in turn the industry elites shape reality for the growers (Martinez-Novo 2004). It also allows for an examination of how the activities of global players articulate with national processes to shape livelihoods of smallholder farmers (Browning 2013; Reynolds 1994).

In addition to the agrarian political economy approach, I also employ the livelihoods approach to understand the role of tobacco industry institutions in shaping the adaptive capacities of smallholder farmers. The livelihoods approach describes the ways in which people employ different types of capital (i.e. natural, economic, human and social) in any given historical, ecological and institutional context to make a living. It offers a dynamic perspective from which to study livelihood adaptation- the continuous process of changes to livelihoods which either enhance existing wealth and security or reduce vulnerability and poverty (Davies and Hossain 1997). The livelihood approach is particularly suited to this study because it pays attention to institutions as mediators of access to resources for livelihood adaptation (Leach et al 1999). Tobacco leaf companies together with market and regulatory institutions are key actors in the tobacco value chain. These institutions' interactions with smallholders are key in shaping growers understanding of whether the market instability they are experiencing represents a short- term down-turn in the market, or a long-term shift in the structure of the industry.

This perception and awareness of changes that vulnerable people face ultimately shapes perception of available pathways towards adaptation.

Furthermore, the livelihoods approach provides concepts with which to evaluate the outcomes of responses of local populations to changing social, economic, demographic and environmental conditions. I use the concept of sustainability to evaluate the outcomes of responses to an unstable market in terms of their contributions to enhancing well-being for the tobacco growing households and for the community at large. Sustainability, which refers to the ability of a social or environmental system to withstand and recover from shocks (Scoones 1998), can be usefully employed to evaluate the effects of interventions on the long-term wellbeing on the environment and on social systems. I think about enhancing sustainability through promotion of wholesome adaptation, reduction of exposure to shocks, and enhancing a community's internal capacity to respond to shocks. Specifically, I use the concept of livelihood adaptation to examine processes of adjustment to cropping systems and economic enterprises that enhance incomes as well as reduce vulnerability - which refers to a particular group's exposure to shocks and internal capacity to respond to shocks (Chambers 2006). Further to this, I employ the concept of human capabilities to examine if current responses to an uncertain tobacco market enhance the community's internal capacity to respond to this and future crises. Human capability speaks to increased humans' potential to act and be in their environment, which ultimately allows people to perceive and respond to changes in their environment (Sen 1997). By employing the concepts of adaptation, vulnerability and human capabilities, I unpack and address the broader concept of sustainability.

In chapter three I elaborate on the theoretical frameworks as I employ them to examine the institutional context of tobacco production in Malawi as it relates to the livelihoods of smallholder growers.

### **1.3 Overview Methods**

I employed an ethnographic approach to study the local dynamics of tobacco farming in Kumala, a tobacco growing village near Mitundu trading center in Lilongwe district, Malawi. The village is one of several nested between two large tobacco estates



previously owned by Press Agriculture, where many people from the area, including those from Kumala, worked as laborers or tenants. Here they got immersed in tobacco culture and the fine arts of setting, harvesting and curing Burley tobacco. When Burley was liberalized for smallholders, these laborers and tenants rushed to lease out parcels of land and strike out on their own. In this way Burley replaced dark-fired tobacco as the key cash crop for the community. At Kumala I studied the economic rationality of tobacco farming as well as the cultural meanings attached to this crop. I also explored the local collective memory of dealing with market shocks to understand how locals view the current instability in the tobacco market.

The location of Kumala at the periphery of Lilongwe city, which is the center for marketing, processing and administrative functions of the tobacco industry, best exemplifies the marginalization of growers in relation to the industry at large. For me the relatively close distances allowed me to traverse the sites of production and the board rooms of institutions that govern the production and marketing of tobacco. I also visited the tobacco auction floors to acquaint myself with the marketing process, the quality preferences of buyers, and growers' experiences of the marketing process. During my interactions with respondents I was always aware of my privilege and burden as a native, but western educated researcher (Alcade 2007). Being a local, I could connect with the locals easily, but wearing the hat of a researcher meant that often times my respondents had expectations of immediate gratification from me. As a native researcher there were aspects of farming and village life that my respondents expected me to know. My questions on such matters brought incredulous looks and laughter in some cases.

As a researcher I was also cognizant of my position with regards to the tobacco industry. Throughout my professional life, including as a Portfolio Officer in an agricultural lending institution and as a Program Manager in a Non-Profit Organization focused on issues of economic justice, I have been tuned into the controversies surrounding the tobacco industry, including allegations of exploitation of tenants, child labor and environmental degradation. During fieldwork I was always aware of the danger of falling into a methodological and scientific populism-a populism that would make me throw out the pursuit of empirical rigor for findings that confirm my perceptions (de Sardan 2015).



I remained cognizant that the use of sound methodological procedures of investigation and the pursuit of empirically founded interpretations, are the only means of transforming my exploration of a subject I was passionate about into an instrument of knowledge. I aimed to achieve empirical rigor by developing unbiased data collection instruments, and sampling both growers and non-growers. I included in my samples those growers who were prosperous and were passionate about growing tobacco as long as it remained a legal crop, as well as those who were struggling to make a living out of tobacco. Finally, I checked my interpretation about local social and economic dynamics with agricultural extension development officers at regional offices.

#### **1.4 Findings in Brief**

Findings indicate that most growers realize that the tobacco market is erratic, as evidenced by unstable prices and ever changing demands from the industry. They also realize there are fundamental changes in the industry as evidenced by the greater involvement of tobacco leaf companies in financing the production of the crop. While growers deploy their repertoire of strategies to cope with an unstable market, not many can tie structural changes to the long-term viability of the crop. Many have a positive outlook to the long-term prospects of the crop. This could be tied to the actions of the tobacco companies in creating a positive outlook as well as the failure of market institutions to play a key role conveying the appropriate signals to growers.

The enduring presence of tobacco among smallholders is by and large due to the amount of money it brings in a good season. But the hit and miss nature of tobacco farming, the experience of loss at the hands of a fluctuating and unstable market and the often painful road to recovery, suggests that other factors do contribute towards the centrality of tobacco farming in this area. At Kumala tobacco is ingrained into young people's imaginations of growing up and independence, and it conjures notions of security and status among older men. Smallholders view the current market instability through their lens of their relationship to the State and its institutions on one hand, and tobacco leaf companies on the other. Smallholders' consciousness of marginalization in relation to the state ("who are we?") formed from years of experience of the State's

treatment of smallholders and self-blame in the face of uncertainty contribute to a state of inertia where smallholders are preoccupied with the short-term rather than the viability of tobacco based livelihoods in the long-term. The presence and actions of tobacco leaf companies obviate the need for long-term planning to adapt to a future of uncertainty and reduced incomes. The study also found that unstable tobacco market and declining incomes have set in motion processes of migration and stratification of land ownership. These processes are interlinked and they are likely to cause palpable changes on the rural social landscape.

### **Limitations of the Study**

The study's single-site design precluded a potentially rich cross-site comparison which affects the generalizability of the results for several reasons. Kumala village is in many ways a typical Malawian village but it has some unique differences that may not make it representative of other villages. This being an area in close proximity to the Mozambican border it represents opportunities for work and trading across the border, dynamics that may not be available in other equally stressed areas. Limitations of time and resources prevented a robust design that would have allowed a comparison of two or more sites with different dynamics.

The second limitation is minimal data on labor migration. Questions about family members involved in labor migration were not included in the initial census as the researcher only stumbled on this phenomenon well after the study had already begun. By that time, it was already the beginning of the growing season and many labor migrants had already left. This made it difficult to establish the extent of labor migration from the area. Although case study households were asked about members involved in labor migration on the second cycle of interviewing, which allowed me to interview a few returning migrants, it is difficult to generalize their experiences to the whole community. Nevertheless scholars (de Sardan 2015; Stake 1994) argue that in-depth small scale studies with attention to historical processes not only reveal context, depth and specificity of a phenomenon, but also help researchers work through the epistemological question of how much can be learned from a specific context, and how much of that can be

extrapolated to other contexts.

As a further limitation, data on income is based on self-reporting which might be unreliable. Indeed some respondents were uncomfortable to show their income.

## **Delimitations**

Other aspects of the topic were beyond the scope of this study. I did not investigate other areas of the rural sector impacted by a declining tobacco economy such as trade and services. In addition, I did not directly investigate the impact of a declining tobacco economy on other welfare aspects including poverty, food security and nutrition.

## **1.5 Overview of the Dissertation**

Going forward, the dissertation is organized as follows: Chapter two provides the historical context of tobacco production in Malawi and the involvement of the state in agriculture. The development of the state and agriculture in Malawi are intertwined and the state's handling of agriculture shaped and reinforced class and labor relations. Chapter two lays the foundation for a discussion on how state-smallholder relations influence farmers' perception of risk and the adaptive responses available to them.

Chapter three elaborates on the theoretical frameworks employed in the study. Here I discuss how I draw on scholarship on agrarian political economy to understand changes in global agriculture, but also how these influence changes the rural economy. To compliment my understanding on how structural change in agriculture impacts the livelihoods of rural producers, I draw on livelihoods literature to bring to the fore the context that mediates growers' livelihoods with a focus on key trends such as market instability, but also the institutions that help smallholders cope and recover from livelihood shocks. In this chapter I also discuss my approach to this ethnographic study and the methods I used to collect data.

Chapter four introduces my field site at Kumala as well as the community and the farm families whose stories are told in this dissertation. I discuss Kumala as a place in contradiction to centers where marketing and policy decisions affecting rural livelihoods are made. I further discuss the residents of Kumala, their livelihood activities, the

households and the social organization for production. I also discuss the central role of tobacco in reproducing the household and the community.

Chapter five describes the institutional setting of tobacco production, marketing and regulation in Malawi. Here I discuss the key actors in the tobacco establishment and their interests, power relations in the industry, as well as their attitudes and actions of key actors in relation to the current tobacco market instability. The chapter highlights the social relations in the industry, especially the separation between the tobacco establishment and the growers, and the mechanisms including rents and other means of surplus extraction that allows for the maintenance of a large and opaque institutional set up to the disadvantage of the growers.

Chapter six discusses the structural changes that the tobacco industry has gone through in recent years. It highlights the ways in which global processes such as trade liberalization, anti-smoking public health initiatives, and changing production and consumption patterns have altered the tobacco industry. In this chapter I also highlight how these changes have translated into the local industry in Malawi, and among smallholders.

Chapter seven describes growers' responses to key questions, and integrates these with results from the other data chapters to provide a picture of growers' perceptions of the current market instability, and of the long-term viability of tobacco livelihoods. It describes the specifics of how smallholders view the state, a how its institutions are managing the tobacco industry, and how these views shape growers perception of the fortunes of tobacco based livelihoods.

Chapter eight is the conclusion chapter that ties together discussions on smallholders' experiences of market instability in the short term and their perception of long-term viability of tobacco to the role of tobacco market institutions in shaping risk awareness. It also ties the persistence of tobacco farming to the place of tobacco in the household in the village economy as well as the socio-cultural meanings attached to tobacco farming at Kumala.

Ultimately, this dissertation addresses the broader question, can rural farm families perceive and respond to global changes in agriculture? And if they do respond,

what are those responses going to look like? Specifically, this study investigates the link between perception and adaptation. Are growers who correctly perceive risk likely to dedicate resources and time to respond to future threats to their livelihoods? What role does the social, cultural and economic context in which play to allow options for smallholders to respond in a sustainable manner? In Malawi, state institutions and policies have long influenced farm livelihoods. The state and its institutions protected producers from the vagaries of the world market, and ensured the reproduction of rural life. This dissertation investigates if, with the state institutional apparatus dismantled, smallholders can perceive long term threats on their own and make corresponding decisions. I argue that the involvement and then disorderly withdrawal of the state from smallholder agriculture, and the actions of leaf companies and other agents in the tobacco industry act in concert to reduce the capacity of smallholders to respond to long-term threats. The next chapter explores the history of the state and smallholders in Malawi to foreground this discussion.

## **Chapter Two: History and Context of Tobacco Production and Marketing in Malawi**

### **2.0 Introduction**

In order to understand contemporary dynamics of tobacco dependent livelihoods in Malawi, we need to grapple with the long history of tobacco in Malawi and its role in the making and entrenchment of the state as an overlord over economic and political lives of Malawians as we know it today. Tobacco underpins Malawi's economy. It generates 60% of foreign earnings and it contributes 13% of total GDP (NSO 2012). But tobacco is more than economics. It is a commodity whose tentacles traverse the political, social and economic lives of Malawians. Tobacco has also structured the physical landscape through environmental processes (Geist et al 2007; Tobin et al 1998) as well as the social landscape through, among other things, labor migration (CFSC 2015; Kafundu 2005). Most importantly for this study, production and marketing of tobacco generates livelihoods for thousands of smallholder farmers like the ones at Kumala and other tobacco growing communities. As smallholders at Kumala go through the motions of preparing for the growing season, as they tend to their tobacco, and as they take their tobacco to the market, they do so under the auspices of state regulation and policies that go back in history. These policies and regulations, shaped over decades within specific notions of roles and attitudes of the state towards smallholders, have in turn shaped relations of smallholders towards the state. Such policies and regulations determine what types of tobacco smallholders are allowed to grow, what resources and support they have access to, who they sell their crop to, and how much they get paid for it. The relations between the state and the smallholders forged under these interactions have long shaped smallholders understanding of the influence of the state in ensuring the smooth functioning of the tobacco industry, and along with that, the notions of what smallholders consider to be threats and risks to their tobacco based livelihoods.

In this chapter I outline the history of tobacco in Malawi to show the role of tobacco in making the state, and structuring the political and social landscape of the country. Through an account of the development of tobacco as a key commodity crop, and the key events along the way, I highlight the origin of the policies and regulations

used by the state to manage the industry from infancy up to the present. I further highlight how the state's management of tobacco structured labor and class relations. Ultimately, the goal is to show how these divisions influence smallholders' perceptions of the source of instability in the tobacco market and the causes of declining tobacco incomes. The chapter also illustrates the development of Malawi's tobacco industry in a global context. On its way to becoming the dominant industry in Malawi, tobacco has had to contend with, and sometimes benefited from, political and market processes in the British empire and beyond. I end the chapter with a discussion of the state of tobacco in Malawi at present, and the contemporary issues surrounding tobacco farming.

## **2.1 A Brief History of Tobacco Production and Marketing in Malawi**

Tobacco has a very long history in Malawi. From the pre-colonial era, tobacco believed to be of American origin, introduced by the Portuguese in the 1500s, was already being grown and consumed in Nyasaland, the present day Malawi. This was *Nicotiana rustica*, a wild type of tobacco famed for its high nicotine content. Locally known as "labu," it was widely consumed as snuff and was used for communal pipe- smoking among different ethnic groups across the country. Tobacco was also a common article of trade between the Kazembe Kingdom, the largest pre-colonial political entity in present day Zambia (see figure 2.1), and west of Nyasaland (Rangeley 1957). Modern day tobacco farming was introduced by John Buchanan, a Scotsman who came to Nyasaland as an employee of the Blantyre Mission of the Presbyterian Church, when he planted the first tobacco crop of the commercial type *Nicotiana tabacum* in Blantyre township in 1889. In 1893 Buchanan made the first recorded export of tobacco to Britain. This forty pounds of sun cured tobacco packed in a local hardwood cask, carried by barge down the Shire and Zambezi rivers to the east coast of the continent was the beginning of an enormous industry on which the economy of the future nation of Malawi would be built (Wilshaw 1994).

Buchanan's pioneering experiment with tobacco was soon followed by other individuals and companies. Ross Stark and Robert Hynde started a 1737 acre Songani Estate in Zomba and produced their first crop in 1893, and the following year they



exported 2000 pounds of tobacco to a firm in Salisbury, present day Harare, Zimbabwe. Other companies included the Blantyre and East Africa Company who had tobacco estates in Zomba and Chiradzulu districts, British Central Africa Company in Blantyre and the Africa Lakes Company who started growing tobacco at their estates in Mulanje (Wilshaw 1994 and Rangeley 1957). Other individual settlers also developed estates in the districts of Blantyre, Zomba, Chiradzulu, Mulanje and Thyolo, an area generally called the Shire Highlands (see figure 2.2). Besides exports, the beginning of tobacco farming also sparked a significant domestic industry. In 1893, when the first export was made 6,720 pounds of processed tobacco were consumed locally (Rangeley 1957, Wilshaw 1994).





Figure 2.2: Map of Malawi



Source: Maps of the World <http://www.mapsofworld.com/malawi/>

The rise of tobacco as a commodity was rooted in colonialism and state building as I elaborate later in this chapter. While the beginnings of the tobacco industry in Nyasaland owe a lot to private initiative, the rise of the crop was very much in line with the aspirations of the administration of the newly declared protectorate for a white settler, plantation based agriculture to propel the economy of Nyasaland. Initially the government, together with settler farmers - including Buchanan himself - looked to coffee as the crop that would build the economy of the protectorate. Between 1890 -1900 coffee was Nyasaland's major export after which it declined and cotton took its place up until 1905, when it too declined. Thereafter, the colonial administration started to pay serious attention to tobacco, and tobacco assumed the mantle of the key export crop. Initial attempts to find major export markets were thwarted by lack of knowledge of curing, and lack of reliable and affordable means to transport bulk tobacco to the coast from a land locked country. During inquiries for exports, Nyasaland tobacco received favorable responses but was deemed not ready for the market for lack of proper curing (Wilshaw 1994). In 1902, Blantyre and East Africa Ltd invited two Americans from Virginia to teach the company's farm supervisors proper techniques for curing flue-cured tobacco (Rangeley 1957). The crop of that year received favorable reviews on both the export market and domestic market. The completion in 1907 of the Railway from Nsanje at the southern tip of the country to Blantyre, then the center of tobacco production and processing in Nyasaland, was quickly followed by the arrival in 1908 of Imperial Tobacco Company (ITC) who set up a buying station in Limbe, a few miles from Blantyre. ITC were initially only interested in Bright leaf tobacco (Flue-cured). But the arrival of ITC also brought with it divisions and alienation within the industry. ITC favored some settler growers over others, and demanded that only white settlers grow flue-cured tobacco as it was deemed too technical for African growers (Prowse 2010, Wilshaw 1994). This race and class based alienation would go on to plague the industry for a very long time.

### **Africans and Tobacco**

Native Africans were not bystanders during the development of the tobacco in-

dustry as they quickly embraced this opportunity to grow a familiar crop on a commercial scale. The involvement of Africans in tobacco had significant economic and social ramifications. This section draws closely on Wilshaw's (1994) account of the development of tobacco in Malawi.

Africans in Nyasaland were closely involved in tobacco farming as laborers and tenants on settler tobacco estates, and as growers in their own right. As early as 1898 Hynde and Stark experimented with use of African tenants on their estates to take advantage of indigenous knowledge of growing and curing tobacco. They gave seeds to the tenants, and the company purchased the leaf. Soon after, local populations in the Shire highlands were growing tobacco as independent producers. Imperial Tobacco records indicate that in 1910 the company sent home to Britain native grown sun and air cured tobacco. The Blantyre East Africa Ltd, following in the footsteps of Hynde and Stark, resuscitated tenant farming. The company offered seed and instruction and the tenants grew both flue-cured and fire-cured tobacco. In 1917/18, government records showed that half a million pounds of African grown tobacco was produced that year (Wilshaw 1994).

The surge in African involvement in tobacco farming accelerated when tobacco was introduced to the central province. In 1920 two settler growers, Andrew F. Barron and Roy. J. Wallace who already had established tobacco estates in Zomba ventured to the central province. Lured by good soil and abundant labor, they obtained land at Mbabzi and Lingadzi, west of Lilongwe, the present day capital of Malawi. Here Barron set up an estate to grow flue-cured tobacco to sell to Imperial Tobacco Company. In 1922 he invited Africans to grow fire-cured tobacco (also known as dark-fired) as tenants on his estate, and shortly after this expanded into an out-grower scheme that attracted native growers from the southern region. Barron gave seedlings to Africans living around his estates at Mbabzi, and he employed teams of instructors to advise them on production. In the first year, the scheme worked with 900 growers and realized 50 tons of tobacco which had to be head carried by porters from Lilongwe to Imperial Tobacco's factory in Limbe, a distance of 200 miles. In a short time his scheme grew and expanded to the districts of Dowa and Kasungu. Owing to the lack of road infrastructure, he had to build a network of roads to facilitate his scheme. With that, the production of African fire-cured tobacco

grew (Wilshaw 1994). The number of growers in the central region expanded from 900 in 1923 to 33,000 in 1926. Tobacco production from Lilongwe and Dowa districts soared from 24 tons, in 1924, to 195 tons in 1925, 890 in 1926 and 1244 tons in 1927. By 1932 the two districts were producing 3,879 tons; more than 50% of total tobacco production in the country (Mc Cracken 1983). In 1927, another settler Inaco Conforzi leased 5000 acres in Lilongwe, around Namitete and initiated a visiting tenancy, which drew an estimated 4000 visiting tenants, mostly from the south. Here, tenants on his scheme grew sun cured tobacco which he transported for processing at his factory in Thyolo, in the southern region, and then for export to Belfast (Wilshaw 1994).

The success of Barron and these early pioneers changed Nyasaland tobacco forever. Soon other settlers came to the central province to grow tobacco, and in time the locus of production in the country shifted from the southern province to the central region. Barron's success attracted middlemen who came to buy tobacco grown by locals contracted to Barron without making any investment (Wilshaw 1994). The arrival of middlemen spurred production among African growers who found a way to pay hut tax without having to work for anyone (McCracken 1983). I elaborate more on the hut tax in this chapter under the section on *Alienation of Labor*. For Africans in the central region tobacco brought high income, and with it, affluence. There was demand for consumer goods in the local economy. Growers could now afford to buy goods like bicycles, hitherto prized possessions of teachers and government clerks. Inflation also became a problem. Prices for goats and chickens rose five times. The rise in numbers of growers and the resulting unplanned increase in production also brought with it problems of over-production and declining leaf quality as a result of using inferior seed and lack of adequate supervision. The government moved in and created the Native Tobacco Board (NTB) to regulate production and marketing of native tobacco (McCracken 1983; Prowse 2010). This was the beginning of a long legacy of formal regulation and control that continues to shape the production and marketing of tobacco up to the present.

### **Malawi Tobacco on the Global Stage**

Malawi's tobacco industry has always been affected by, and has had to respond to

global political and market processes. To begin with, the spread of tobacco to Malawi was through trade contacts with the Portuguese, and later through colonialism. As it matured, the industry had to contend with changing consumer tastes and preferences. Global patterns of tobacco consumption have undergone changes at various times, and with them, production and marketing patterns. The cigarette has not always been the most popular way of consuming tobacco. Before becoming the dominant form of tobacco consumption that we know today, the cigarette competed with the pipe, cigars, chewing and snuff which were all dominant forms of consumption at one time or the other. The adoption and incorporation of flue-cured tobacco popularized the cigarette in the 1860s (Goodman 1994). Changes in the nature of the tobacco crop and changes in marketing and manufacturing at global level have been associated with changes in labor organization for cultivation of tobacco. Flue-cured tobacco (also known as Bright tobacco), a distinct yellow color and light aroma leaf became highly sought after, and prices were consistently higher above the darker varieties (Goodman 1994 ). In Nyasaland, the lucrative and capital intensive flue-cured tobacco was exclusively grown on settler estates using direct wage labor. Africans grew sun, air and fire cured types. With the discovery of Burley consumer tastes changed, and for some time in the 1940's it became the most lucrative type of tobacco in Nyasaland. Burley is an air cured, relatively low resource but labor intensive variety, suited for smallholder farmers. This was predominantly grown using the tenancy system in Nyasaland (Prowse 2010). Most settler growers in Nyasaland switched to Burley which was again designated as an exclusive crop for settler farmers. ). I discuss the tenancy system in more detail later in this chapter under the section *Malawi Tobacco Today*.

On the global market Nyasaland's tobacco had to compete with primarily American produced tobacco as well as other tobaccos produced in the British empire. Initially at a disadvantage owing to low yields and high freight rates, the granting in 1919 of the Imperial Preference (preferential access to the British market) gave a boost to Nyasaland tobacco and it was now able to compete with US tobacco, compensating for high freight rates and leading to a dramatic increase in the land area under production (Rangeley 1957). In 1927, the price of flue-cured leaf on the global market fell due to

overproduction in Zimbabwe and Canada, and low demand in the UK. Estates became insolvent and many settlers went out of business. The decline of estates was a boon in estate tenant production. Tobacco produced by tenants rose from one million pounds in 1929 to five million pounds in 1939, and the number of tenants tripled. This growth in tenants occurred because of the market uncertainty - the remaining settler farmers wanted to share the risk of production with tenants (Prowse 2010). Today Malawi exports tobacco to 70 countries and Malawian growers compete with growers from key Burley producing countries like Brazil and the United States of America (Ortanez and Graen 2014).

## **2.2 Tobacco, the State, and Smallholders**

Agriculture in general, and export crops like tobacco in particular, have been closely tied to state building processes under both the colonial and post-colonial governments. The production and marketing of export commodities structured relations between the state and smallholders, and shaped the distribution of surplus and risk from monetized and export oriented agriculture. Understanding the relationships between state and smallholders in historical and contemporary times requires attention to the role of state and non-state institutions in Malawi's tobacco production. These institutions, both historically and in the current era, represent the interests of the land owning and trading classes. Thus, these institutional dynamics shape smallholders' perception of risk and the long term viability of tobacco based livelihoods, as well as their responses to the on-going market instability.

In this section, I trace the rise of tobacco from colonial times to illustrate the role of commodities in building both the colonial and post-colonial state and structuring relations between the state and smallholders. I draw on scholarship on social and economic histories of commodities in anthropology in the tradition of Sidney Mintz's *Sweetness and Power* (1985) and Eric Wolf's *Europe and the People Without History* (1982). After these pioneering works, other authors (Carney 2001; Norton 2008; Pendergrast 1999; Smith 2005) have adopted the historical approach to commodity systems to document how the production, trade and consumption of internationally traded commodities such as coffee, tea, sugar, rice and tobacco shaped the social, economic and



political systems of both producing and consuming societies. These studies have shown that commodities can be used to show the interconnections of the local and the global, and that they can be profitably used to study processes of globalization (Sick 2011) . Through trade, labor and other processes, commodities facilitated connections between local peoples and global polities in diverse forms of relationships, and facilitated the diffusion of knowledge systems across distant polities. In this chapter I focus on how these commodities were implicated in the colonial enterprise, and how the specific characteristics of the crops, production methods, processing and marketing left a distinct imprint on the social relations of production (Goodman 1994). For example, sugar and tea, commodities that require intensive capital for processing, were amenable to plantation production. Commodities like tobacco that require relatively low capital for production and where initial processing is less technically demanding, were amenable to production on small family holdings (with some exceptions to the relatively short lived American slave tobacco plantations), and other production arrangements like the tenancy system (Goodman 1994).

These studies show the role of commodities in state building as well as in providing the foundations of economically viable countries. Furthermore, they show the role of colonial administrations as well as merchant and plantation owning classes in managing production and marketing of commodities, which led the structuring of labor and class relations between and among the native populations. Specifically, these studies highlight the division and alienation between the natives and their white colonial masters who used race as an organizing principle for colonial economic and consumer practices (Mintz 1985). At this point it is worth pointing out two of the key characteristics of tobacco as a commodity that we need to bear in mind as we think about tobacco in the colonial and post-colonial context: (i) tobacco does not benefit from economies of scale and as such small and large farm operations co-exist, and (ii) tobacco is labor intensive and it creates a tobacco culture among growing communities (Goodman 1994). But not all tobacco types are equally resource and labor intensive. As such, in the case of Malawi, it is easy to separate small-scale growers of low resource tobaccos from big scale growers of resource and technically intense tobaccos.

In Malawi the centrality of tobacco to the economy has been tied to processes of state building for over a century. The fortunes of tobacco shaped relations between the state and smallholders through the governance regime of institutions and regulations that governed the production, and marketing of the crop. Drawing on historical and contemporary sources, I outline the growth of agriculture and the policies and events that shaped the relationship between the state and smallholders. Both the colonial and post-colonial state actively maintained a division based on either race or class and alienated smallholders. The approach of the colonial and post-colonial state towards the management of smallholder agriculture was to "regulate and control," characterized by arbitrariness in decision making, and a lack of transparency which facilitated the exploitation of smallholders by elites and by the state itself. This historical perspective is useful in understanding how smallholders' view of the state, and how a consciousness of their own marginalization in national and agricultural development processes is used to interpret the causes of the current market instability and the livelihood crisis among tobacco farmers. I argue that the dynamics of relations between smallholders and the state precludes the promotion of adaptive capacities of smallholders.

In the following sections I discuss the mechanisms employed by the state to control production and marketing of smallholder crops, including use of legislation and the creation of commodity marketing boards. Following other authors (Ng'ong'ola 1986; Prowse 2010), I discuss four phases in the history of agriculture in Malawi. The first phase covers the colonial period from the time Britain declared Nyasaland (Malawi) a Protectorate. The second phase starts after independence from 1964 when the new Malawi Government took over up to 1979; a period that coincided with phenomenal economic growth driven by the agricultural sector. The third phase is from 1981, the dawn of the era of Structural Adjustment Programs (SAPs), in which agricultural policy came within the purview of International Financial Institutions (IFIs). The fourth stage starts from 1994 when multiparty politics was introduced, and with it, a different but even more politicized intervention in agriculture by the State.



### **2.2.1 The Colonial State and Agriculture**

Export oriented agriculture has been widely implicated in the entrenchment of the colonial system. In a bid to make colonies self-sustaining, Britain and other colonial powers worked to develop plantation crops like coffee, sugar, tobacco and tea (Rotberg 1983; Shillington 2012; Vail 1983). In the same vein, the colonial government in Nyasaland considered agriculture the engine of growth, given that Nyasaland had no mineral deposits worth exploiting. At the time Nyasaland was declared a British Protectorate in 1891, coffee was the major export crop grown by a small settler community. Realizing the need to generate taxes for the administration of the Protectorate, the colonial government promoted export crops such as tea, cotton and tobacco, in addition to coffee. Furthermore, believing in the supremacy of European plantation agriculture, the government of Sir Harry Johnston, the first Governor of Nyasaland, was keen to attract a white settler community to stay in Nyasaland and practice plantation, export oriented, agriculture which would drive the economy (Malekano 1999). One characteristic of the role of the colonial state in agriculture was its commitment to a dual system of agriculture, one oriented towards settler plantation agriculture, and the other towards smallholders. Once smallholders had adopted cash cropping, the state maintained separate systems to regulate production and marketing of crops grown on estates and those grown by smallholders. In the early years of the protectorate, most of the settler farmers were under-capitalized to successfully undertake agriculture on the scale desired by government. But through the powerful Chamber of Commerce and Agriculture, they pressured the colonial government to facilitate profitable production of plantation agriculture, and allow them to have monopoly over local trade (Chipeta 1986). The government was only happy to oblige, and thus began a series agricultural policies and interventions to promote settler agriculture, most of which came at the expense of smallholders. The most notable interventions are the alienation of land, and extraction of native labor; the two key areas which shaped the relationship between peasants and the state from the early days of the Protectorate up to independence.

## **Alienation of Land**

The earliest intervention of the colonial government was through alienation of land from local African populations, accomplished through the conquest and pacification of Yao, Chewa and Ngoni chiefs. Harry Johnston alienated over 3 million hectares of native land between 1891 and 1894 which was given to companies and individual settlers (Chipeta 1986). Most of the alienated land was in the Shire Highlands especially the districts of Thyolo and Mulanje where settlers opened up tea and coffee estates. Unalienated land was designated Crown Land (also called African Trust Lands), meaning it belonged to the State and ultimately, to the Queen of England (Malekano 1999, Kandawire 1977). The development of estates in the Shire highlands resulted into severe land shortages for the local population, further compounded by the arrival of Lhomwe immigrants from Portuguese East Africa (Mozambique). This land shortage became a source of unrest among the local African population and together with other grievances culminated in an uprising in 1915, and ultimately gave birth to the independence movement. Settler farmers and companies resisted efforts of the colonial government to ease the pressure of land among the locals. Baker (1993) details how at one point the colonial government sought to buy back idle land from the British Central African Company (BCAC) to resettle the displaced natives, a move that was resisted by the company.

## **Extraction of Labor**

In addition to giving white farmers land, the colonial government enacted a number of laws and regulations to create a labor reserve for settler farmers. From 1892, the government imposed a hut tax on men and a poll tax on women to ensure that instead of working on their own farm plots for subsistence, locals would find paid employment on settler estates, earn a wage and pay their taxes (Vail 1982). To further ensure availability of labor for the settler farmers, and to solve the problem of landless immigrants from Portuguese East Africa who were flooding into the southern province, a system called *thangata* was promoted in favor of settlers. The system required that male heads of households living on settler estates due to shortage of land provide labor to the

estates in lieu of rent. *Thangata* was associated with excesses of labor mistreatment of locals by settlers. For example, household heads were required to work one month in a year in lieu of rent and another month of work for the hut tax- tax levied on a hut or a household. Often estate owners would arbitrarily extend the period up to six months (Kandawire 1977). The fortunes of commodity crops was linked to labor relations in the Protectorate. The growth of the tobacco industry after the First World War, boosted by the Imperial Preference led to increased production of flue-cured tobacco. This increased the need for native labor and with it, the excesses of estate owners with *thangata*.

The move to tax natives triggered two key processes that affected local agriculture and the social fabric of the country at large. Firstly, apart from pushing locals into wage labor, the imposition of taxes also pushed natives into commodity agriculture where they began to grow crops for sale. Mostly, the locals grew food crops for sale to meet increased demand from a growing population in the Shire Highlands (McCracken 2012). Those who were able, took to commercial production of dark and sun fired tobacco which they sold to settler farmers and later to approved markets when these became available (Rangeley 1957, Wilshaw 1994). Thus through trying to promote plantation agriculture at the expense of the subsistence of local populations, the colonial government inadvertently triggered the growth of peasant commodity agriculture. Secondly, following the imposition of taxes some natives began to migrate to Southern Rhodesia (Zimbabwe) and South Africa to take advantage of higher wages in mines and plantations there. Nyasaland settler farmers were locked in a competition for labor with labor recruiters from those two countries. The poor working conditions on settler estates in the Shire Highlands made it difficult for them to attract enough locals willing to work for them. Under pressure from the settlers, the government moved in to stem the flow of cross border migration and ensure labor supply for local plantations. The government decreed that natives on plantations must enter into written contracts with their employers for a period of 6 months which was later increased to 12 months to ensure that local natives stayed with and supplied labor to the settler farmers for a longer period (Chipeta 1986). This decree was not very successful at keeping the locals at home, and the migration train that followed ultimately shaped the social relations, the economy

and ultimately the politics of the country in fundamental ways.

### **A Note on Local Resistance**

Although local resistance to policies and interventions of the government is peripheral to the story of the growth of tobacco production in Malawi, it is important to recognize that Africans were not just helpless pawns in the colonial economic system. Local populations protested through everyday forms of resistance and in some cases, overt organized rebellion to the various policies of land alienation, taxation and forced labor recruitment. Africans resisted forced labor through absenteeism, desertions, frequent changes of place and name, voluntary unemployment, and through migrating to South Africa or Zimbabwe. To protest against land alienation and the resulting land shortages, locals encroached on reserved forest lands, deliberately violating forestry law. In addition, to protest against government policies that sought to curtail African involvement in the cash economy by encouraging Africans to only grow maize and other food crops, Africans grew cotton and other types of tobacco which eventually forced the colonial government to establish markets to cater to African growers. Ultimately, the policies of the colonial government and the treatment of the locals by settler farmers gave rise to resentment among locals culminating into the 1915 Chilembwe. In the 1950s Africans rioted against forced agricultural practices in several districts in the central and southern regions and orchestrated violence against chiefs seen to be in colluding with the colonial government. The government's failure to satisfactorily resolve these issues meant that for a number of years trouble was brewing and this led to the birth of the independence movement (Chipeta 1986, Malekano 1999, Mulwafu 1999). While acknowledging these forms of resistance, I emphasize the policies of the government to highlight the relations between the state and smallholders shaped the agricultural sector.

### **Regulation and Control**

Another key element of the colonial government's dual agriculture strategy was the exclusion of natives from lucrative crops; limiting their production so they did not compete with the settlers. The government limited the participation of Africans in the

production of lucrative crops such as flue-cured and burley tobacco, and plantation crops such as tea. From 1908 African natives were prohibited from growing flue-cured tobacco which was exclusively reserved for estates. In 1908 when the Imperial Tobacco Company started buying tobacco from Nyasaland, the company decreed that it would only buy flue-cured tobacco from white growers, as it was deemed too technical for African growers (Wilshaw 1994). When Burley became the most lucrative variety in the 1950s, Africans were again forbidden from growing the crop (Prowse 2010). They could grow other tobacco varieties including the dark-fired and oriental varieties, but not flue-cured and Burley.

Over the years, as African participation in agriculture and production of cash crops grew, some settlers realized that there was money to be made buying and selling native produce. The state also realized the benefits of letting peasants grow some cash crops (Ng'ong'ola 1986). With diverging interests among settlers, and with native producers and entrepreneurs beginning to assert themselves, the state realized that it could not continue to exert control by decree. It resorted to more sophisticated ways of controlling and regulating smallholder agriculture through legislation.

## **Legislation**

In this section I draw on the work of Ng'ong'ola (1986) to discuss how the colonial government enacted laws to regulate the production and marketing of native crops. Legislation focused on registration of growers, licensing of traders, exporters and their trading premises and the establishment of commodity marketing boards. The legislation on production and marketing of native produced crops was to control quality, increase production and stabilize growers' incomes. On close examination, this legislation was meant to further the duality of agriculture and to separate the country along racial lines. Some pieces of legislation related to control of production. Through such legislation the colonial government shaped the social and physical landscape of agriculture in Nyasaland. Through the Department of Agriculture, the government decided which crops should be grown, where and by whom. An example is legislation governing the use of Crown lands, the class of land inhabited by African natives. No

export crops like flue-cured tobacco, coffee and tea could be grown on such lands.

Some pieces of legislation focused on control of marketing. The colonial government kept a tight grip on exchange and distribution processes in the agricultural sector. Legislation was enacted to ensure that only Europeans and Asians had exclusive rights to buy and sell produce (legumes, maize etc) produced by Africans on crown land. This was to forestall the growth of an African merchant class that could challenge the settlers' monopoly on the market. Some aspects of legislation controlled how much money flowed into the native economy. The cotton export ordinance of 1910 restrained unlicensed buyers from offering high prices for cotton produced by Africans as a way to discourage independent African production. The 1912 Food Crops Ordinance empowered the Governor to restrict settler estate owners from trading in native food stuffs. The stated objective of the ordinance was to protect Africans from selling all their food which would lead to hunger. The Tobacco Ordinance of 1926 created the Native Tobacco Board, an institution that shaped the development of the tobacco industry from then on (Wilshaw 1994).

Analysts note that legislation failed to meet objectives of stabilizing incomes or restricting exploitative activities of intermediate traders. In some cases the implementation of legislation was outright disastrous. For example, the Maize Control Board Ordinance of 1946 prohibited the sale and disposal of surplus maize without the authorization of the Board. The implementation of this ordinance restricted trading, and reduced the availability of maize supplies on the market as growers withheld their produce. When three years later the rains failed, the poor sighted activities of the Board resulted in the infamous Nyasaland famine of 1949. The lasting legacy of this trend to control via legislation is that legislation formulated under a paternalistic gaze of the state gave blanket powers to administrators allowing them to impose, from time to time, "any set of rules and regulation they saw fit to promote agriculture" (Ng'ong'ola 1986, 24). This is a legacy that continues to plague the management of agriculture even under the modern state.

## **Commodity Marketing Boards**

The colonial government also set up an institutional structure to control the production and marketing of peasant economic crops. The commodity boards had exclusive responsibility over production and marketing processes for particular commodities including supply of inputs, collection, transportation, storage, processing and resale of commodities (Ng'ong'ola 1986). Some of the notable commodity boards in Nyasaland included the Maize Control Board, the British Cotton Growers Association and the Native Tobacco Board. I dwell on the Native Tobacco Board and the Maize Ordinance Board to highlight the extent of their activities and the control they exercised over the affairs of native agriculture, their inept policy making and the hostility they evoked among the local African populations.

McCracken (1983) has outlined the controversial role of the Native Tobacco Board (NTB) in stifling the growth of tobacco production among natives in Nyasaland. The Tobacco ordinance of 1926 created the Native Tobacco Board to supervise and assist native growers. This became necessary in the wake of Barron and Wallace's success with tobacco out-grower schemes in the central province. The NTB was created to regulate production and marketing of native tobacco but in effect it became a tool used by settlers like Barron to promote their own interests and to control peasant production. The NTB reduced the number of markets where buyers could buy African produced tobacco. Whereas previously buyers could pitch up wherever they liked and proceed to buy tobacco from smallholders, the NTB reduced these to eight places in the central province and further reduced them to three by 1933. In the 1932-33 growing season, the NTB expanded efforts to limit the actual acreage of tobacco Africans could grow to only half of previous year's production. But this regulation was not even-handed. At this time the world economy was in depression and it made sense to cut production of tobacco. Instead, the NTB allowed settler production to increase even as it was forcing cuts in smallholder production (McCracken 1983).

Other than controlling native production, the commodity boards were also mechanisms for the extraction of surplus from smallholders. In 1931, the British Cotton Growers Association (BCGA) was granted an exclusive right to buy cotton produced by

Africans with a condition to remit half of its profits to the government (Ng'ong'ola 1986). Tobacco followed the same route. In 1937, the NTB established an auction market and took on the monopoly of buying all African produced tobacco which it sold to major exporters on auction on behalf of the smallholders. This put a stop to the activities of intermediate traders. Initially the NTB supported itself with a tax levied on every pound of African grown tobacco. With the introduction of the auction market the tax was abandoned. Instead, the NTB collected their revenue from a "working margin" which was the difference between the price NTB received on the auction market and the price it paid to growers. This was a mechanism for extracting surplus from the peasants. For example, in 1938, the NTB pocketed 44.27% of the proceeds from tobacco it sold on auction on behalf of smallholders. The next year, 53% of proceeds from smallholder tobacco sales went to the NTB. This means that the grower only received 47% of the proceeds from his tobacco. Throughout the 1930s falling prices caused discontent among African growers. Between 1935-39 average smallholder earnings from tobacco declined by half (McCracken 1983). Meanwhile the NTB was flush with money and began to take on financial responsibilities that would normally be the responsibility of government, including funding a research station, building a European hospital in Lilongwe, and paying salaries of a mini-civil service (McCracken 1983). In 1937 a record production of native tobacco was followed by a collapse of prices. There were riots and smallholders abandoned production en masse.

The above section outlined the policies and interventions the colonial state used to control African agriculture. In the process these policies and interventions shaped the views of smallholders towards the state. At the very least, the peasants saw the state as an entity consumed with putting controls on their ambitions for self-improvement through the accumulation of wealth. In addition, the state portrayed itself as a self-serving entity that only came to smallholders when it needed to fulfill its own goals. Although the colonial state implemented policies to suppress peasant agriculture, when it suited the purposes of the state, it moved with energy to promote specific crops for Africans. When settler agriculture faltered with the fall of flue-cured tobacco prices in 1927, the government turned to peasants to boost production of dark-fired tobacco as an export crop



(McCracken 1983). In another example, Kerr (2010) describes the efforts of the colonial government to promote groundnuts as a cash crop in the northern province following a decline in hut tax revenues. It was envisaged that growing groundnuts would enable women left behind by migrating husbands to pay hut tax.

At worst, smallholders viewed the state as actively antagonistic towards them. The exploitative practices and heavy handedness of commodity boards such as the NTB and the Maize Control Board towards African farmers at times resulted in unstable production of tobacco and maize. The activities of the government's agricultural apparatus including commodity boards were resented by Africans for their part in forcing the implementation of measures focused on soil and water conservation. Natives were ordered to build bunds (embankments used to control the flow of rain water), channels and other earth works to arrest increasing rates of soil erosion. The harsh enforcement of these measures created ill feelings among the native populations towards the colonial government (Mulwafu 1999). The Maize Control Board was the focus of intense hostility among African nationalists for its part in restricting trade on food items and creating conditions that led to mass starvation. The colonial state's role in agriculture also exemplifies arbitrariness in decision making and flip-flopping on policy matters. For example, when the NTB took a monopoly over native produced tobacco it prevented intermediate traders from buying native produced tobacco. When after a few years it ran into financial difficulties, the intermediaries were allowed back on the market. The monopoly experiment of the British Cotton Growers Association only lasted one year, and when the association ran into financial trouble, intermediaries were allowed back into cotton marketing. The overzealous control of the Maize Control Board to restrict trading and curb the activities of intermediate traders led to a famine, and intermediaries were again allowed back. Such arbitrariness in policy matters was inherited by the post-colonial state and plagues the country to this day. Understanding this history of arbitrary policy intervention helps shed some light on lack of diversification and growth in the agricultural sector.

### **2.2.2 The Post-Colonial State and Agriculture**

Historians note that after independence, the new government never made a real break with the policies of the colonial government (Vail 1982). The new government followed the same dual strategy in agriculture where estates were encouraged to grow export crops to drive economic growth, and smallholder agriculture was meant to ensure food security for the population. The government favored estate agriculture and did everything to promote the subsector. The only thing that had changed was an increase in elite Africans owning estates.

#### **Land Alienation**

Local land alienation continued as it did under the colonial government. In addition to facilitating allocation of land to senior civil servants and party officials (the new elite in independence era), thereby transforming customary land into estates at the expense of villagers, government owned companies ventured into estate agriculture. Milner (2005) notes that the new government never undertook land reforms but the 1967 Land Act reaffirmed the land tenure arrangements that existed in colonial rule. General Farming owned by President for Life Hastings Kamuzu Banda, Press Agriculture, owned by Press Corporation and ADMARC, the parastatal tasked with agricultural development in the country, all bought and invested heavily in estates (Van Donge 2002). Estates and tobacco production quotas were given to senior party officials, senior civil servants and other political supporters as reward for support to the ruling Malawi Congress Party (MCP) (Geist et al 2007). Financial institutions in which ADMARC held large stakes provided credit on easy terms to estates to facilitate production of tobacco (Kydd and Christiansen 1984).

#### **Legislation**

The independent government also continued with restrictive legislation. The special crops Act of 1972 made it illegal for any person to grow, sell, barter or buy any special crop without a valid license from the Minister of Agriculture, a portfolio held by President Hastings Banda himself. An amendment to the Act gave the Minister

discretionary powers to reject applications for permits without need to explain reasons for his decision (Ng'ong'ola 1986). Special crops included Burley and flue-cured tobacco, tea, coffee and other plantation crops (Van Donge 2002). Furthermore, up until the late 1980s, government controlled trade and exchange in the agricultural sector. All tobacco grown in Malawi was (and still is) required to be sold on markets designated by the Tobacco Control Commission (TCC). While major export crops such as tobacco and tea had specialized auctions that catered to large estates, all smallholders had to sell to ADMARC. The government specified prices at which buyers could buy farm produce from smallholders (Smith 1995).

### **Commodity Marketing Boards**

The post-colonial government built an even more formidable institutional infrastructure for managing production and marketing and directing investment into agriculture. These included marketing boards with links to banks, private institutions and quasi-governmental agencies. Specialized crops like flue-cured tobacco, tea and coffee were grown and marketed under parastatals. Farmers Marketing Board, successor to the Agricultural Produce Marketing Board became the Agricultural Development and Marketing Corporation (ADMARC). It became the best known of all agricultural institutions that controlled the marketing of all smallholder produce (Van Donge 2002). ADMARC was given a mandate to make profit and the strategy was to accumulate surplus at the expense of smallholders to invest in other areas of the economy (Ng'ong'ola 1986). ADMARC paid monopoly prices to smallholders, which in the 1970s amounted to 50% indirect tax of smallholder produce (Green 1997). Profits from the control of such exchange were largely invested in the estate sector. ADMARC only invested 4% of its profits into the smallholder sector while 66% was pumped into the estate sector (Kydd and Christiansen 1984). In addition to the produce market, the government also controlled the input markets as this was considered a strategic area.

This dual agricultural strategy, and the control over smallholder agriculture did little to alter the structure put in place by the colonial government. It continued with the exclusion of smallholders from lucrative opportunities. The powers vested in the Minister

of Agriculture to make decisions at will without having to answer to anyone continued the legacy of arbitrary decision making started by the colonial government. Most importantly, actions of the independent state show that it had no misgivings in acting to further the interests of political and business elites by facilitating their access to land and finances to help them exploit opportunities in the lucrative tobacco industry. When the proposal to liberalize the production of Burley to allow smallholders to participate was floated by donors, opposition came from senior MCP officials, senior civil servants and also notably, from TAMA, the association that represents the interests of middle and large estates. The reason given was that Burley was too technical for the smallholders (Prowse 2010). Prowse notes ironically that these interest groups used the same excuse used by Imperial Tobacco Company a hundred years earlier to deny Africans access to lucrative flue-cured tobacco.

### **2.3 Reform in the Tobacco Industry: The Era of Structural Adjustment Programs (SAPs) 1980-1994**

The dual agriculture strategy seemed to work fine for the first 15 years post-independence as GDP grew at a respectable 5 % per annum (Harrigan 2003). From 1970 the number of estates rose from 229 to 22,000 in mid 2000s. Meanwhile smallholders lost land and suffered unfavorable terms of trade (Whiteside 2000). As the 1980s approached, the high path to economic growth was disrupted by external shocks beginning with the oil crises and the resulting decline in terms of trade for commodities on the world market (Chilowa 1998; Milner 2005). Finding itself in budget deficits and in need of Balance of Payment (BoP) support, the Malawi government invited the International Monetary Fund (IMF) and the World Bank to help. Thus began a long series of reforms - the Structural Adjustment Programs (SAPs). Due to the centrality of agriculture in the economy, agriculture came within the purview of the IMF and the World Bank and most of the initial reforms to liberalize the economy were targeted at the sector. The thrust of the SAPs was twofold (i) to get the state out of agricultural marketing -which mostly required the scaling down of ADMARC's activities, and (ii) to get prices right for smallholders. The biggest development was in the tobacco sector where production of Burley was

liberalized to allow smallholders to participate.

Liberalization had been pushed by donors<sup>3</sup> primarily to change the structure of Malawian agriculture and change focus from estates to smallholders (Van Donge 2002) as it was clear that an agricultural and economic strategy reliant on estates had not benefited everyone (Kydd and Christiansen 1984). When production of Burley was liberalized in the early 1990s, thousands of smallholder farmers took to the crop. Liberalization allowed smallholders to take advantage of opportunities for earning decent income from agriculture and some segments of smallholders flourished (Orr and Mwale 2001; Peters 1997). Smallholders were required to organize themselves into clubs in order to access the tobacco auction floors. In 1990/91, 7,600 smallholders were allowed to grow tobacco on a pilot basis (Zeller et al 1998). By 1993/94, 30,000 smallholders were organized into 1,318 clubs (Van Donge 2002). Jaffee (2003) estimated that 300, 000 smallholders were growing tobacco in 2003.

The liberalization of Burley succeeded in altering the structure of Malawian agriculture from one driven by estates, to one driven by smallholder family farms. According to data from the Tobacco Control Commission, 43,024 tobacco clubs were registered as growers in 2013 up from 17,252 in 2000 (TCC 2014). Using a conservative estimate of 15 members per club, this suggests that over 600,000 smallholders grew tobacco as club members in 2013. Meanwhile estates growing tobacco declined from over 60,000 in 2000 to around 14,000 in 2013. On the other hand, liberalization also dismantled the institutional infrastructure which had been put in place to coordinate production, marketing, and investment in agriculture, leaving the state with fewer mechanisms with which to direct the development of the sector. In the same vein, liberalization also destroyed state apparatus for surplus extraction and patronage in agriculture. But liberalization did not end exploitation of smallholders. Liberalization merely ushered in a new era where instead of the state, it was tobacco leaf companies that became more powerful. They infiltrated the state and began to dictate the pace of the industry.

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<sup>3</sup> This term refers to development agencies, multilateral institutions, and some countries that provide budgetary support, development aid, and technical support to Malawi.

## **2.4 Multiparty Democracy and Populism in Agriculture 1994 to Present:**

### **Subsidies Under a Neoliberal Order**

In 1994 came multi-party democracy and with it more reforms and intervention in agriculture by the State. While liberalization also destroyed the state's apparatus for surplus extraction and patronage in agriculture, and replaced the state with leaf companies as the chief extractors of surplus, the state was not completely pushed out of agriculture. In an era of popular politics, the government found other means to continue using agriculture for a politics based on clientilism and patronage by politicizing food security. The government of President Bakili Muluzi built its legitimacy and populist appeal based on availability of maize. It started a "starter pack" program which provided small quantities of seed and fertilizer to poor farmers to ensure food self-sufficiency. Harrigan (2003) notes that although the "starter pack" program could be justified using rational fear arising from declining maize production over a four year period, it was ultimately the work of a government seeking legitimacy by ensuring food security following years of a detached dictatorial state. This kind of intervention would also be appealing to the government and the population in general following the negative impacts of economic liberalization on the welfare of the poor (Chilowa 1998).

The government of Bingu wa Mutharika who came after Muluzi, instituted a much bigger Farm Input Subsidy Program (FISP), against the wisdom of liberalization preached by the IMF and the World Bank. The program won huge following among Malawians as well as development agencies abroad<sup>4</sup>. The two Presidents after him have both maintained the subsidy program despite mounting criticism that the program is not meeting its welfare functions of a safety net, as it has not shown any demonstrable effects on reducing poverty among vulnerable individuals (Lunduka et al 2014). Other critics note the impact of such a wieldy program on the national budget. Between 2011 and 2013 the budgetary allocation of the subsidy program amounted to 75% of the entire budget of the Ministry of Agriculture, and 54% of all allocations to the entire agricultural sector. Critics argue that by taking this much funding, FISP crowds-out other priority programs

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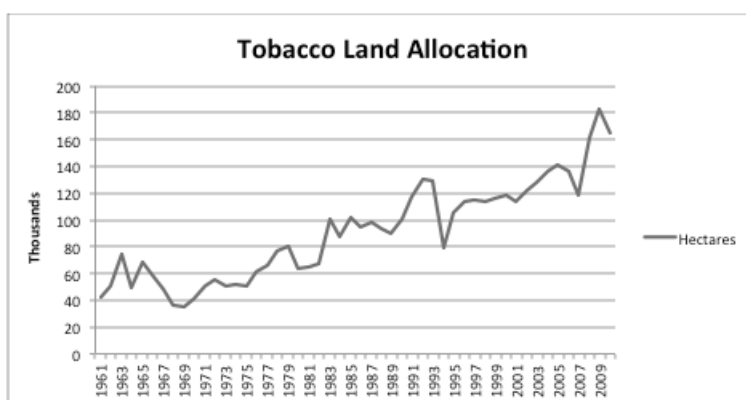
<sup>4</sup> [http://www.nytimes.com/2007/12/02/world/africa/02malawi.html?\\_r=0](http://www.nytimes.com/2007/12/02/world/africa/02malawi.html?_r=0)

in the sector (Cisanet n.d)<sup>5</sup>. In a candid exchange with civil society delegates on the benefits of the subsidy program in relation to its cost, the Minister of Finance stated that there was no way that program was going to be closed: “Where do you think the votes will come from?” he asked (National Budget Consultations with Civil Society, March 2016). The state’s pronouncements about having the welfare of smallholders at heart through programs like these are called into question by tobacco growers, who compare the state’s preoccupation with populist welfare programs to a perceived lack of commitment to protect their livelihoods where it matters.

## 2.5 Tobacco in Malawi Today

Today tobacco remains an important crop to Malawi. In addition to generating 60% of exports and 10% of GDP, tobacco also generates up to 23% of the tax base (UNCTAD 2011, Jaffee 2003) and employs 1.6 million out of a workforce of 5 million people (UNCTAD 2011). A large proportion of arable land is devoted to tobacco 165,577 hectares in 2010 up from 41,763 hectares in 1961 (FAOSTAT). It has been said that no country devotes as much proportion of land to tobacco than does Malawi, and no other country is as dependent on one crop for foreign exchange as is Malawi (Tobin and Knausenberger 1998).

Figure 2.3: Allocation of Land to Tobacco in Malawi 1961-2009



Source: FAOSTAT <http://www.fao.org/faostat/en/#data/QC/visualize>

<sup>5</sup> <http://www.cisanetmw.org/index.php/38-fisp-beneficiaries-want-programme-discontinued-commercial-price-of-fertilizer-reduced>

## **2.6 Key Issues in Tobacco Discourse in Malawi**

As I discuss the viability of tobacco livelihoods and the effect on smallholder livelihoods, it is important to be cognizant that there are other related conversations that are putting pressure on the tobacco industry and are gradually making tobacco a pariah crop.

### **Labor Violations in Tobacco Production**

The tobacco industry in Malawi has had to contend with labor activists who decry the deplorable working conditions of tenants. In Malawi tobacco is produced through three labor regimes; family labor, wage labor and the tenancy system. For growers on an acre or less, family labor is the most commonly used labor arrangement. But even here where a household does the bulk of the work, they may still require the assistance of wage labor at peak times. Wage labor comes in two arrangements, casual labor and fixed wage contract. Labor in tobacco is a very important fixture of the village economy and I elaborate more about it in chapter four. Here I dwell on the tenancy system to highlight the conversation about labor conditions which is another controversy surrounding tobacco in Malawi.

### **The Tenancy Labor System in Tobacco Production**

The tenant system has been the bedrock of tobacco production in Malawi (Mwasikakata 2003, CFSC 2015). Although it is not the most prevalent form of labor arrangement in the study area, it merits extensive treatment as it in many ways, characterizes the exploitative face of the tobacco industry in Malawi. Tenancy labor is a social relation in which tenants and their family members are employed to produce tobacco on a plot allocated by the leaseholder or farm owner (Kanyongolo and Mussa 2015). The land owner provides land, farm inputs, food rations and other necessities to the tenant to enable him to grow tobacco. These expenses are deducted against future profits. In some cases the costs are higher than the profits, necessitating the tenant to stay and farm again next year, a practice which constitutes debt bondage (Kanyongolo and Mussa 2015).



Today 77% of tenants originate from the most densely populated and land scarce districts in the southern region such as Machinga, Mangochi, Phalombe and Zomba, and move to tobacco growing districts such as Kasungu, Dowa, and Lilongwe in Central Province, and Rumphi and Mzimba in the north (Kanyongolo and Mussa 2015). Tenants cite poverty, food insecurity, lack of resources to buy agricultural inputs, and lack of alternative employment opportunities as the primary factors that pushed them into tenancy labor (Kanyongolo and Mussa 2015). For landlords, the tenancy system helps them get through low liquidity. Tobacco farmers generally lack the cash to pay for labor and other services during the growing season. Due to the nature of the business of farming, farmers typically have money at the end of the season. With the tenancy system, the payment for services is deferred to the end of the season after farmers have sold their crop. Secondly, tenancy system brings in a larger pool of labor as opposed to direct labor. In the tenancy system, the landlord expects wives and children of tenants to work as well. Wives, relatives and children of a tenant all help with farm work and perform similar tasks as the tenant. In this way, the tenancy draws on a vast pool of labor, but only a small proportion of which is remunerated. This serves to hide the real cost of growing tobacco. Landlords further prefer tenants as they are said to be more dedicated than wage laborers. For tenants, remuneration depends on the quality of the tobacco they produce. Most tenants are veterans of the crop and sometimes they know tobacco farming better than their landlords. Furthermore, tenants work without requiring too much supervision, and since payment is at the end of the season, rarely do tenants abandon work at the peak of the season. Rather they patiently work to achieve good quality. In addition, tenants assist landlords with other chores including harvesting and shelling maize and groundnuts, cutting poles, and building sheds; something a wage laborer would not do (Phiri 2004). Most importantly for landlords and for the tobacco industry as a whole, tenants bear the most risk associated with crop failure. If tobacco output is low, landlords recover the cost of inputs first before they get around to paying their tenants. This is a big advantage for them as they can take risk on the back of a vulnerable group of people who stand to lose everything should the crop fail. The biggest advantage for the industry though, is that the tenancy system is cheaper than direct labor. The net take home

for tenants is much lower than direct wage labor. Kanyongolo and Mussa (2015) showed that in 2015 tenants on average received a daily wage of MK142 (less than 50 cents a day) against the minimum daily wage of MK 551-about a dollar at that time (Kanyongolo and Mussa, 2015). This cheap labor is what has built and sustained the tobacco industry in Malawi. The following are the key ways in which tenants are exploited by landowners.

### **Overcharging the Tenants for Items They Take on Credit**

At the end of the season, the landlord deducts the cost of all the inputs, services, cash advances, food rations and other items advanced to the tenant from his tobacco revenues. In this most unbalanced of exchanges, tenants are usually not told the costs for the services inputs and advances until the end of the seasons and costing is at the discretion of the landlord. In a study conducted for the ILO and the Ministry of Labor and Manpower Development in Malawi, from a sample of 18 estates only on two large scale estates did tenants have information on how much they were being charged for inputs, rations and other services. The study found that a substantial number of the 10 medium-scale estates in the sample do not pre-specify tenant charges for individual inputs and that 95% of the tenants are not provided with a written or any other record of their deductions (Kanyongolo and Mussa 2015). Studies and observations have revealed that farmers pragmatically cost their inputs at the end of the season in line with actual or expected results from the sale of the tobacco at the auction floors (CFSC 2015). Table 2.1 below shows the proportion of deductions from tenants' revenue as reported by Kanyongolo and Mussa (2015). In large estates over half of tenants' pay goes to paying for inputs, services and advances. It is unsurprising that there are times when a tenant ends up owing more than he was able to produce and ends up getting nothing for a year's worth of labor. At the end of the marketing season tenants usually ask their peers how their tobacco fared at the markets. Those who didn't get anything respond saying "*tinaluza* - we lost". This just goes to show the precariousness of tenancy work.

Table 2.1: Share of Tenant Deductions per Capita Gross Payment

Estate Size	Mean
Small	23.97
Medium	51.96
Large	52.08
Total	40.49

Source: Kanyongolo and Mussa (2015,18)

### Low Wages

Despite the heavy work they do, tenants get very low wages and in some cases they are not paid at all. The latter scenario happens if the grower made losses at the tobacco market. Furthermore, tenants are ostensibly paid according to how much they produce and the quality of their produce. This is where landlords further exploit tenants by cheating and not adhering to agreed prices where an agreement existed. They may declare the grade of tobacco to be lower than it actually is to avoid paying premium prices. The study done for ILO and Ministry of Labor found that in 2015, annual pay for tenants in medium estates translated to an average monthly pay of MK15, 204 (\$32.5 in 2015) while for tenants in small estates, the annual pay translated to MK9,003 per month (\$19.2 in 2015). If one takes into account the fact that for each tenant, several family members work on the farm, the pay per individual is indeed very low (Kanyongolo and Mussa 2015).

Table 2.2: Tenant Average per Capita Net Earnings

Estate Size	MK
Small	31,693.19
Medium	36,506.57
Large	31,025.91
Total	34,014.14

Source: Kanyongolo and Mussa (2015, 19).

This data in Table 2.2 shows that in 2015 after a hard year of labor, and after all deductions are made, the highest paid tenants carted away MK36,506.57 (\$78) and the lowest paid tenant carts away MK31,014.14 (\$66). The tenants on large estates get more rations and additional service like use of tractors for plowing. Hence more is deducted from them.

### **Denying Tenants of Basic Necessities and Basic Rights**

Interviews with tenants revealed that sometimes, especially at the peak of the hunger season (between December and February) they can go without food because the landlord doesn't have the food to give them. Food rations are often insufficient. Tenants are given 50kg bag of maize per family for 15 days regardless of family size. Tenants have been known to go hungry for several days when rations run out forcing them to go and work somewhere else for food rations. Some tenants reported being denied leave to go to the hospital when the season is at its peak. Wives of tenants are expected to continue working like everyone else when they get pregnant up until they are due to deliver. Elsewhere, a study by CFSC found that there is limited access to amenities for health and education of tenants accentuated by the difficulty and cost of transport and the lack of communications infrastructure. Tenants have to travel more than two kilometers to the closest medical service and school for the children (CFSC).

## **Work Overload**

From observations in Kumala tenants bear the brunt of tobacco growing. At the peak times during planting, weeding and harvesting work starts from dawn to dusk. These are time sensitive farm operations that need to be finished as quickly as possible.

Tenants do much of the physically demanding work which included hoeing to prepare the nurseries, manual hauling of tobacco and handling of dangerous pesticides. For planting, weeding, and harvesting, while family labor is there to help, the tenant is the main labor. The family may go back to the village for lunch and to rest; coming back in the afternoon. The tenant has got to keep working all day. After the tobacco has been harvested and hauled into the homestead, the tenant works even late into the night tying the tobacco leaves together for hanging in the barn for curing. Studies from elsewhere have reported that tenants are given impossibly huge parcels of land to cultivate which necessitates them to involve children, wives and relatives (Phiri 2004).

## **Deplorable Living Conditions**

Furthermore, studies from other parts of the country have revealed that living conditions for tenants in general are deplorable with poor housing, poor drinking water, and insufficient food. CFSC found that the most prevalent form of housing is where tenants live in small one-roomed hut made of mud, tobacco stalks or grass which they build on their own. The study found that 88% of tenants who work in tobacco estates stay in traditional houses which are essentially made from poor wall and roof materials. Over half of the tenants stay in houses where over 7 people use one room for sleeping (Kanyongolo and Mussa 2015).

## **Child Labor**

Malawi has been cited internationally for the high prevalence of child labor on tobacco estates (US Department of Labor 2014, ILO nd, Otanez et al 2007) and the tobacco tenancy system is strongly linked to increased use of child labor, as landlords prefer tenants with wives and children as a cheap pool of labor. A 2006 International Labor Organization (ILO) study found extensive use of child labor on tobacco estates.

Children who work alongside their parents and perform similar tasks including hazardous labor and handling chemicals (ILO 2006). Otanez et al (2007) estimated that there were 78,000 children working on a full or part time basis in tobacco. Forty-five per cent of the child workers were between 10–14 years old and 55% were between 7–9 years old. The actual number of children working in Malawi's tobacco sector is much higher because the number of child workers in all economies is underestimated (Otanez et al 2007). Children working alongside their parents are in many cases routinely denied education. Landlords put pressure on their tenants and demand that their children help them with farm chores. Interviews with landlords during preparatory work for this study in Kasungu revealed that they are not keen to have their tenants send their children to school. They realize that if the children remain uneducated, chances are they will remain on the farm and become tenants themselves.

### **Workers Health**

Tobacco requires heavy application of pesticides and tenants routinely lack protective wear, and end up inhaling the pesticides. In tobacco growing areas children are used to perform such tasks such as weeding, tying together green tobacco leaves for curing. Tying green leaves exposes children to green poisoning where nicotine finds its way into the blood stream through the skin. It is a painful and paralyzing experience but neither the health system nor the tobacco industry is doing much to address it.

### **Tobacco and the Environment**

Tobacco has been blamed for the degradation of the environment in Malawi. Tobacco culture practices such as topping<sup>6</sup> and de-suckering<sup>7</sup> are responsible for the rapid exhaustion of soil nutrients (Geist et al 2007). Tobacco depletes 10 times as much nitrogen, 24 times as much potassium and 36 times as much phosphorous as cassava. In Malawi rotating tobacco with other crops has become necessary to maintain fertility (Tobin & Knausenberger 1998). Tobacco requires heavy applications of pesticides

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<sup>6</sup>The removal of tobacco flowers

<sup>7</sup>The removal of unproductive tobacco leaves

and fertilizers both of which affect water quality. Run off from pesticides and fertilizers contaminates water sources. In addition, tobacco nurseries require plenty of water thereby reducing water available for other uses (Tobin & Knausenberger 1998). The most visible environmental damage from tobacco production is on the forests. Curing of tobacco requires large amounts of firewood, usually taken from customary land (Geist et al 2007). Flue-cured varieties require a lot of wood to generate heat which is channeled through flue pipes into the barn to cure the leaf. Air-cured varieties like Burley also require a lot of wood to build curing sheds which have to be repaired or even replaced every year. Geist et al (2007) relate that tobacco causes 5% of deforestation annually in developing countries but in Malawi this rate is higher at 26%, and net deforestation caused by tobacco estates outside their boundaries is likely to be at 10,000 hectares per year. They further assert that between 1972 to 1991 when the land under tobacco more than doubled from 54,000 to 117,000 hectares, national forest cover declined from 45% to 25%. Both the World Bank and the World Health Organization have called upon Malawi to diversify from tobacco over concerns of deforestation and loss of soil fertility (Tobin & Knausenberger 1998).

### **Tobacco and Food Insecurity**

Tobacco farming has been implicated in producing food insecurity and malnutrition in developing countries like Malawi. Masanjala (2006) reported that in Malawi, tobacco adoption by smallholder farmers in the mid-1990s increased total household income but significantly decreased caloric intake. He further observed that a majority of children in his sample were stunted. Other studies on the nexus between agricultural commercialization and welfare outcomes have reported the increased risk of food insecurity for small farmers who divert a portion of their land away from food production, thereby reducing the amount of food available to the family. Such farmers are also at risk when there are unfavorable rains and prices of staples increase due to price shocks (Murray et al 2009, Wood 2011). In a study on the connection between tobacco farming households and malnutrition, Murray et al (2009) noted that tobacco production in a household in the year or year after birth and exposure to staple price shocks lowers

child for age z-scores by 1.27-implying a 70% drop in Z scores. Other investigations have revealed rampant food insecurity among tenants in tobacco estates. Tenants in Malawi have to depend on food from their landlords and when food runs out in the hunger season, landlords have been known to let their tenants go hungry (CFSC 2015).

## **2.7 Conclusion**

Tobacco has been called Malawi's "green gold". This epithet came because of tobacco's role in the economy, but as this chapter illustrates, the story of tobacco in Malawi also underscores social and political dimensions of Malawi as a nation. In this chapter I have demonstrated that the so-called success of the green gold came at a high cost, and it was inscribed on the bodies of thousands of farm families and workers, as well as on the environment. For all the wealth it has created for the elites, the professional classes, and the leaf companies, tobacco has brought numerous problems to society at large. The resolution of these problems is integral to discussions on the future of smallholders tobacco based livelihoods. The state is key to this process. The state's involvement in agriculture has a legacy of arbitrariness, inconsistencies, paternalism and marginalization of smallholders which still characterize the administration of the sector today. Even in an era of liberalization, the government still maintains tight control over exchange in the agricultural sector through domestic trading regulations and export bans. Depending on levels of production of a specific crop the government issues bans to prohibit trade or export if production is deemed to be below a certain threshold (see Chilowa 1998). The haphazard manner in which such regulations are applied creates uncertainty among players in the agricultural sector. On occasion, traders with orders to supply produce to international markets have been unable to fulfill their tenders because of these haphazard trade bans. This is not just a hollow policy discussion for bureaucrats and consultants from development agencies. The matter of export licenses and trading permits came up as an impediment for villagers who want to diversify away from tobacco as I elaborate in chapter seven.

The modern day Malawian State is still beholden to the interest of the elites. As an example, even after agreeing to open the tobacco sector to intermediate buyers as part of



the liberalization agenda, the government reversed the decision and banned intermediate traders at the insistence of the tobacco sector (Van Donge 2002). In addition, the state uses its security apparatus to restrict tobacco growers from crossing borders to sell in neighboring countries, even when it is clear that leaf buyers on the auction market are depressing prices. Ironically, the same companies that pay low prices on the Malawian auction also operate in neighboring countries from which they are happy to buy smuggled Malawian tobacco. To smallholder farmers this amounts to the State denying them the opportunity to make good income. The heavy handedness with which smugglers are hounded and punished has earned the State resentment from smallholders.

The historical relationship of the state towards smallholders is critical for understanding the plight of smallholder tobacco growers today. Years of direct extraction of surplus from smallholders, and policies aimed at facilitating exploitation of smallholders by elites and leaf companies have prevented wealth building among smallholders and undermined their resilience. The dynamics of state-smallholder relations characterized by paternalism and heavy handedness, inconsistent policies and interventions, and the state's orientation towards pleasing elites, forms the background through which smallholder tobacco growers view market instability in the tobacco industry both in the short-term and the long-term.

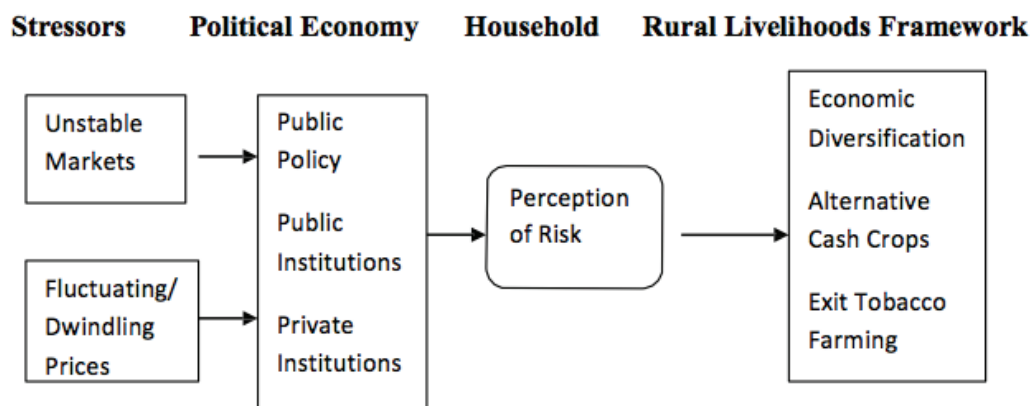
## Chapter Three: Theoretical Framework and Research Methods

### 3.0 Introduction

In the previous chapter I described the long history of structural forces in Malawi's engagement with tobacco, and the kinds of responses farmers had to the inconsistent, and often contradictory policies and interventions. To traverse the local and global dimensions of this study, I use concepts from two theoretical perspectives, agrarian political economy and the rural livelihoods approach (see figure 3.1). Whereas the agrarian political economy approach provides a robust framework for understanding the 'structural' and institutional aspects of restructuring of the agricultural industry across multiple scales, the livelihoods framework provides a scaffold for understanding the lived experiences of tobacco growers, and their communities.

In this chapter I outline the analytical frameworks I employ to understand the restructuring of global agriculture, the effects on rural communities and responses of smallholder producers. I start with a review of literature from agrarian political economy on the development of agrarian capitalism and the neoliberal restructuring of agriculture. From the livelihoods perspective, I discuss literature on the impacts of commodity market instability arising from neoliberal restructuring on smallholder livelihoods, as well as literature on the role of state institutions and non-state actors in assisting smallholders recover from a livelihood crisis. I also discuss the research questions, the research design and the data collection methods employed in this study.

Figure 3.1: Theoretical Framework



Source: Author's Model

### **3.1 Agrarian Political Economy and the Globalization of Agriculture**

I draw on scholarship from agrarian political economy to make sense of processes and dynamics of change in global agriculture, and how these dynamics affect relations of production and other aspects of the rural landscape in Kumala. I focus on scholarship around two classical agrarian questions relevant to this study; the nature of peasants, and the paths of agrarian transition to capitalism (Byres and Bernstein 2001; Byres 2016).

#### **On the Peasantry**

From the very early years of agrarian political economy scholarship, scholars have sought to understand the social and political character of the peasant, either for political purposes (Byres 1986), or to better understand issues of social and economic development in poorer countries (Bernstein and Byres 2001). This scholarship has been framed around inquiry on the essence of peasants as a defined social or political category, and inquiry on the continued existence of peasants as the development of capitalism unfolds (Byres 1986; Byres 2016). Following the lead of Alexander Chayanov who considered peasant households as rational, gain maximizing and loss minimizing unitary farming enterprises, one school of thought regards peasants as a coherent group defined by an internal economic logic, the structure of which only changes as a result of demographic processes of generational change (Donham 1999; Shanin 2009). Others see peasants, not as a well- defined group, but rather a politically and economically differentiated group (Byres 1986). This school of thought posits that peasant differentiation comes through separation of peasants from means of production through violent dispossession (Narotzky 2016). Throughout the development of capitalist relations, scholars have documented the dissolution of the peasantry into; a rich peasantry with expanded production, use of wage labor, and deeper integration with the market, a middle peasantry just barely able to maintain simple reproduction and a poor peasantry who are unable to reproduce themselves through farming, and must rely on wage labor to survive (Akram-Lodhi 2005; Bernstein 2015). Some of the devices of dispossession have included neoliberal land reform policies crafted to enforce private property rights, induce efficient farming, and redistribute land through market based allocation. These policies

have resulted in conflict, social differentiation and the rise of new patronage politics (Akram-Lodhi 2007, Narotzky 2016). Processes of privatization and formal registration of land titles have increased peasants' risk and liabilities, indebtedness, dispossession and new forms of land concentration (Narotzky 2016). Land grabs driven by processes of land accumulation in response to food, energy, climate change and financial crises have changed peasants' access and control over land (Li 2011; Zoomers 2010).

Still on the question of the peasantry, scholars have sought to understand the continued existence of peasants through the spread of capitalist relations of production. Inquiry has focused around the questions: why does the capitalist mode of production coexist with precapitalist modes of production? And, how does this coexistence affect social formations? (Byres 1986; Byres and Bernstein 2001). Some scholars argue that peasants still exist because they are resilient and refuse to be integrated into market oriented production (Cronin 2005; Scott 2008). Still other scholars suggest that peasants still persist precisely because the continued development of capitalism depends on the presence of the peasantry (Banaji 2016; Bernstein 2015).

### **On Transition to Capitalism**

The other classical concern of agrarian political economy scholars has been on the processes or paths of agrarian transition to capitalism. A transition to capitalism would ensure transformation to capitalist relations of production and the rise of capitalist industrialization based on an ongoing process of capitalist accumulation (Byres 1986). Capital accumulation is key to the development of capitalist relations as it separates producers from their means of production, creating "free laborers" who can be turned into an urban proletariat to drive industry, and allow for the generation of surplus that gives sustenance to capitalist industrialization through provision of food, raw materials and financial surpluses (Byres 1986, 2016).

Traditionally, scholars have explored the development of capitalism by studying the trade of agricultural commodities. These are commodities produced either through plantations worked by slave or wage labor or those commodities produced by peasants. Scholars have also explored the development of capitalism by studying the development

of industrialized agriculture (Banaji 2016). In the wake of economic liberalization, scholars are investigating the development of capitalism through studying the effects of trade liberalization and shifts in global trade patterns of agricultural commodities. The concerns of agrarian political economy include the increasing concentration of global corporations in both agricultural input and output markets through mergers and acquisitions and the resulting economic power of fewer corporations commanding large market shares, new organizational technologies deployed by these corporations through commodity chains, and the combination of market power and organizational technologies deployed by corporations to shape and constrain choices of farmers and consumers (Bernstein 2015).

Harris-White (2015) notes that industrial capitalist transformation has proceeded along four trajectories: (i) domination of capital, (ii) contract farming, (iii) vertical integration between agriculture and industrial capital, and (iv) expansion of industrial agriculture. In the age of trade liberalization, scholars note the increased involvement of transnational corporations (TNCs) in global agriculture. Deregulation and regional free trade agreements have created space for globalizing agriculture and food systems (Goodman and Watts 1994, McMichael 1995, Ewert and Du Toit 2005). TNCs, with new forms of corporate organization via enhanced vertical integration and coordination, took advantage of a changing global economic architecture to become the driving force behind the restructuring of global food systems. As a result of these organizational technologies, emboldened TNCs have pushed agricultural globalization through expansion into new territories for markets and cheap labor. With their global investments, advanced transportation and processing facilities, TNCs now control the production and distribution of agricultural commodities, shaping and constraining both production practices and consumption choices (Goodman and DuPuis 2002; Goodman and Watts 1994, Phillips 2006; Pimbert et al 2001). In addition, TNCs have shaped the governance of global agriculture through instituting private quality, safety and other regulatory standards (Ouma 2010; Ponte and Gibson 2005).

Scholars of agrarian political economy note that agriculture is increasingly governed by non-agricultural sectors. Financial actors are increasingly getting involved in

supermarkets, land investments, commodity and value chains (Isakson 2014; Martin and Clapp 2015). Ghosh (2010) notes that speculation by financial actors including hedge funds, pension funds and investment banks who trade in commodity futures were implicated in exacerbating the 2008 global food crisis. The involvement of non-agricultural sectors requires that corporations institute direct and formal mechanisms of control such as vertical integration for the control and subordination of small producers. Contract farming is one such means of control (Banaji 2016). Contract farming, an arrangement in which corporations enter into agreements with farmers to grow and supply specific volumes and quality of a commodity which the corporation undertakes to buy at an agreed price, has become a major phenomenon in global agriculture (Oya 2012). It represents the new phase of development of capitalism at Kumala. Following years of rising costs and lack of reliable financing for farmers, leaf companies have come in to provide financing as well as technical support to growers. Growers relate that it is difficult to produce tobacco without support from leaf companies. In the short time that contract farming has been practiced at Kumala, it has reshaped tobacco production as well as social life in the area. In addition to programs run by government extension services, farmers now have to spend considerable time attending to programs by leaf companies. Narotzky (2016, 19.6) notes that “contract farming expresses social relations that tie farmers and their livelihoods to agro-industrialism through contractual obligations”. Mainstream approaches to agriculture and development have extolled the role of contract farming in modernizing agriculture and connecting rural producers to global value chains (WDR 2008, UNCTAD 2009).

Critics argue that contract farming usurps the independence of farmers and turns them into nothing more than laborers for the corporations (Little and Watts 1994; Oya 2012; Prowse 2012). Although framed along a neoliberal logic that promotes the virtues of the market, contract farming exhibits non-market behavior as producers are taken out of the open markets and boxed into a corner from which they are unable to take advantage of higher prices on the open market without defaulting on their contract (Narotzky 2016; Reynolds 2004). In addition, contract farming creates dependency, making producers reliant on corporations for their livelihoods. Growers are obliged to use

seed, fertilizer and other inputs supplied or prescribed by the corporations and adhere to specific quality standards. Furthermore, growers are held captive with little or no room to negotiate price terms for their produce (Narotzky 2016). As owners of capital, corporations use a range of means to tie peasant producers to suppliers of inputs, finance and the consumption of goods creating conditions of bondage and servitude of the peasant to capital (Harris-White 2016). As with other forms of transition to capitalism, the involvement of TNCs in local agriculture has exacerbated inequalities as shown by increased social differentiation among rural populations where at the top, a small minority of the rural population is connected to global agriculture and appears to be progressing. At the bottom is a large proportion of the rural population struggling for survival while in the middle are family farmers growing undifferentiated commodities with low and declining returns (Akram-Lhodi 2005; Pimbert et al 2001).

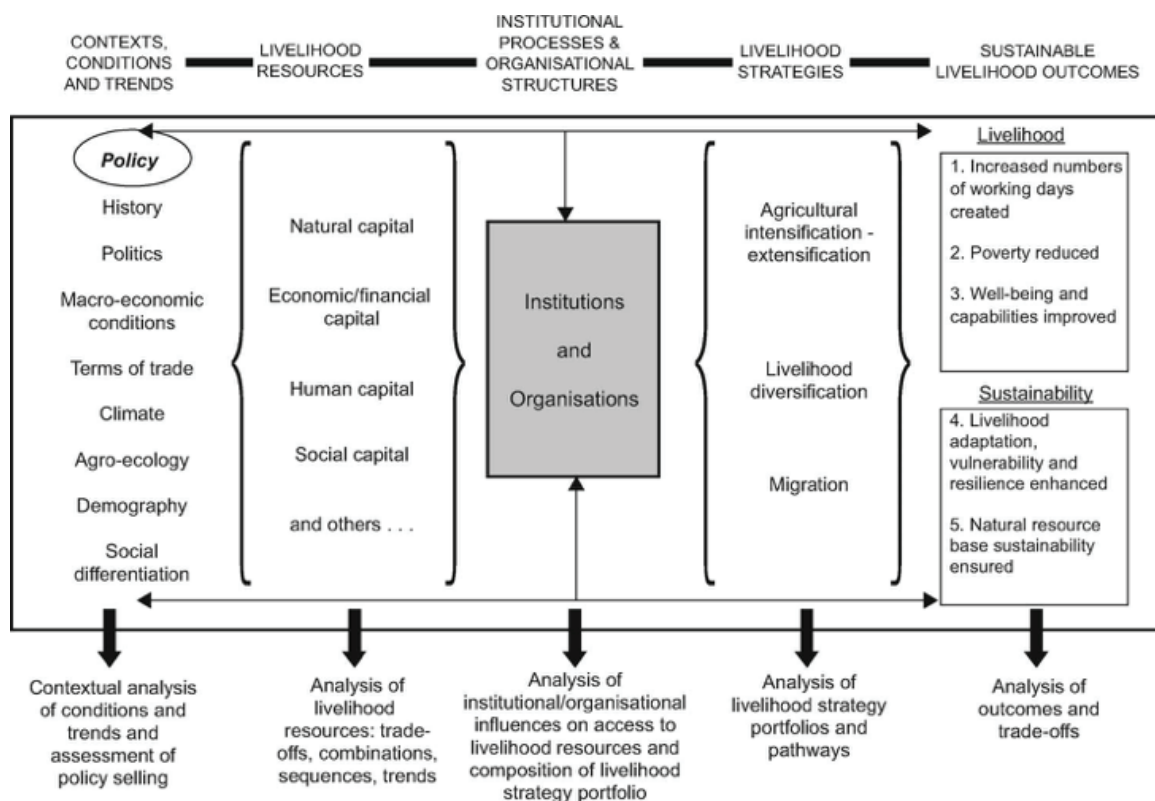
Kumala is not new to capitalist production and exchange. Farmers of Kumala are accustomed to growing for the market since historical times when such production was controlled by the state up until when the economy was liberalized. However, contract farming represents a new phase of the development of capitalism as companies now take direct control over production. The political economy approach, with its focus on social relations of production, power, dynamics of production, and changes in social formations, informs my understanding of the evolving dynamics between leaf companies and tobacco growers. It also shapes my interpretation of the changing relations among the residents themselves, especially the developing dynamics that are leading to land consolidation and inequality of land ownership among the residents of Kumala.

### **3.2 The Sustainable Rural Livelihoods Framework**

I employ the sustainable rural livelihoods framework, also known as the sustainable livelihoods approach (SLA) (see figure 3.2 below), to discuss the dynamics of making a living among rural populations, and to describe how the global, national and local political, economic and social processes mediate local livelihoods, including shaping the perception of risk and inclination towards livelihood adaptation among smallholder tobacco growers. In addition to exploring factors the mediate local

livelihoods, I also draw on the livelihoods approach to evaluate the local responses to changing tobacco market conditions in terms of their ability to enhance wellbeing, reduce vulnerability and enhance households and community's internal capacities to respond to current and future crises. I use the concepts of livelihood adaptation, sustainability, vulnerability and human capabilities to provide a framework for such an analysis.

Figure 3.2: The Sustainable Livelihoods Framework



Source: Scoones 1998: 4.

The livelihoods framework helps researchers explore how rural people use their skills, knowledge and resources in a particular environment to make a living. A livelihood “comprises capabilities, assets (including both material and social resources), and activities required for making a living” (Conway and Chambers 1991, 1). Livelihood making is dependent on possession and ability to creatively use assets (Ellis 1988, 2000). Assets, both tangible (resources and stores) and intangible (claims individuals and households can make on other people, and access to resources) are categorized into five types of capital; natural capital (refers to soil, air and other environmental services),



economic /financial capital (cash, credit, debt, and productive assets for pursuing a livelihood strategy), human capital (knowledge, skills that people have as well as the physical health to perform labor functions) and social capital - the networks social relations and affiliations which people draw on to pursue different livelihoods (Scoones 1998,8). The different levels, types and quality of assets certainly come into play as smallholders at Kumala experience and respond to uncertainty and impoverishment from failing markets. High income households with diverse income streams, access to information, finances and networks are not completely impoverished by low tobacco prices. Even where they make losses they may still be asked by friends to join clubs and are loaned money to repay their debts. Low income and middle income households risk the most to grow tobacco, and stand to lose the most when prices are low. For low income households, physical labor is their most readily available capital and they use it to make a livelihood through natural resource extraction through joining the labor migration circuit. Education is decidedly a valuable form of capital at Kumala. Household heads with post-primary education stand a good chance of finding employment. Equally important, those household heads that were able to discern the long term viability of tobacco and purposely go into entrepreneurship or make a concerted effort to diversify into other crops had at least ten years of education.

### **3.2.1 Concepts for Evaluating Livelihood Responses to an Unstable Tobacco Market**

The livelihoods approach will enable me to examine local responses to an uncertain tobacco market as well as the implications of this uncertainty on the livelihoods of individual tobacco growing households and the community at large. I examine household responses to an uncertain market with a view to understanding whether adjustments of livelihood activities lead to enhanced wellbeing through stabilizing or enhancing incomes, but also through enhancing the abilities of households to withstand future shocks. To do this, I employ the concepts of livelihood adaptation, sustainability, vulnerability and human adaptation. I discuss these concepts below.

## **Livelihood Adaptation**

The concept of livelihood adaptation, the continuous process of change to livelihoods which either enhance existing wealth and security or reduce vulnerability and poverty (Davies and Hossain 1997), is a key contribution from livelihood studies that illustrates that rural populations are aware of, and actively engage with their conditions of existence in pursuit of better lives. Scholars of rural livelihoods make a distinction between adaptation and coping, both of which are household risk management strategies. Coping strategies are a sequenced set of responses, largely involuntary, which households faced with a crisis follow with the objective of maintaining consumption and preserving key household assets that would permit them to resume their previous livelihood strategies (Corbett 1988, Davies 1996). On the other hand livelihood adaptation is thought of as a voluntary, preplanned risk management strategy in which households diversify their income portfolios to anticipate and ameliorate any threats to wellbeing (Ellis 2000, Ellis 1998, Adams et al 1998). This distinction also presents a methodological challenge for researchers as the criteria for classifying specific activities either as coping or adaptation strategies may be blurred, given that in some cases, what may start out as short-term coping mechanism may end up becoming the norm - which may then need to be classified as a long-term adaptation. Fieldwork for this study was an opportunity for me to observe the complexity of processes of adaptation and challenge or enforce the intellectual need for separating the concepts of coping and adaptation.

Options for livelihood adaptation often include livelihood diversification- the process by which households construct a diverse portfolio of activities and assets in order to subsist and to improve their standard of living (Ellis 2000, Scoones 1998). The term diversification needs to be interrogated and placed in context for Kumala. To begin with, the farm families at Kumala already undertake diverse livelihood activities to secure their lives. Secondly, even where tobacco growers invest in other enterprises, these enterprises are connected to tobacco. A disastrous tobacco season requires that other enterprises and assets be deployed to subsidize tobacco production. In the worst case scenario, this can even bring down a household with a diversified livelihood portfolio if assets need to be sold. In this study, I use the term diversification to mean 'diversify away from tobacco- a

conscious decision to quit tobacco farming and ensure a household's livelihood activities are not dependent on tobacco. Adaptation is a complex, imprecise, back and forth process that requires several factors to come into play. It requires that rural populations perceive the risks they face, decide the likely effects of livelihood failure, and commit resources and capacities in response to perceived risk. This process is made more difficult as rural populations experience multiple sources of stress and sources of change simultaneously (Tucker et al 2010). Ultimately, for this study, I pick out and evaluate instances of crop or economic diversification and any other forms of adaptation on their ability to stabilize and enhance incomes and position households for increased well-being.

### **Sustainability**

The livelihoods approach is particularly useful for its emphasis on sustainability of livelihoods which allows for evaluating the effects of livelihood decisions on well-being in the long-term. This concept has often been used to highlight issues related to management of the resource base on which livelihoods are built but I emphasize the social aspect of sustainability where a livelihood is said to be sustainable when it can cope and recover from shocks and stresses, maintain or enhance its capabilities while not undermining its natural resource base (Conway and Chambers 1991; Scoones 1998). I use sustainability as a guiding concept for broadly evaluating whether the manner in which smallholder tobacco farmers are coping with unstable markets and other vulnerabilities enhances their capabilities to weather future livelihood crises. I use the concept of vulnerability which focuses on exposure and recovery to shocks, and the concept of human capabilities which focuses on internal capacity to recover from shocks as a way to talk about sustainability. Declining incomes and a falling rural economy are having discernible effects on households through reduced upward mobility and reduced accumulation of wealth. While the precise long-term impacts of these processes are unknown, the concepts of vulnerability and human capabilities will help me frame a discussion on the possible consequences of household and community responses, to instability in the tobacco market.

## **Vulnerability**

I employ the concept of vulnerability to denote a particular group's exposure to shocks as well as lack of internal capacity to respond to shocks (Chambers 2006). I draw on the notion of vulnerability to describe a condition of marginalization which depicts the position of smallholder producers in relation to national and global entities and processes. Vulnerability is a widely employed concept in the livelihoods literature. It has allowed researchers and others to look beyond lack of material well-being among rural populations in order to capture the sense of insecurity and defenselessness. It has roots in political ecology literature which has demonstrated that the relationships people have with their environment, and the social, political and institutions that sustain such relationships, are implicated in creating conditions of vulnerability among marginalized populations (Oliver-Smith 2004). The concept has also found a home in livelihoods literature drawing on Sen's entitlement approach and famine studies (Ellis 2000; Watts and Bohle 1993). In all these traditions, vulnerability refers to a high degree of exposure to risk, shocks and stress (Chambers 2006). Stresses are defined as cumulative and predictable pressures such as declining labor markets and declining real wages, whereas shocks are sudden events that effect whole communities such as human illness, collapse of a market etc (Conway and Chambers 1991). Authors note that vulnerability has dual characteristics: exposure to external threats and failure of internal coping capabilities (Chambers 2006; Ellis 2000). Writing on vulnerability in Southern Africa, Ellis (2006) used the term "living on the edge" to describe the state of being vulnerable (Ellis 2006, 393). Earlier livelihoods studies on vulnerability in Southern Africa reveal that failures of politics and governance (Francis 2002), reduced access to natural resources (Amwata et al 2016; Kakota et al 2012; Mills et al 2013; Nunan 2010), and the HIV/AIDS pandemic (Bryceson and Fonseca 2006; Masanjala 2007) have led to deteriorating livelihoods and increased proneness to food insecurity and poverty even from minor disturbances in the daily or seasonal sequences of life. Scholarly work under political ecology has showcased the ways in which local populations negotiate vulnerabilities as they make livelihoods in the context of state sponsored projects and shifting global politics and markets (Bebbington and Batterbury 2001; Bebbington 2004; Cliggett 2005, 2014; Watts and Peet

2004; Perreault 2001). More recent works highlight the multiple risks arising from the interplay between local and global economic, political and social processes, and how locals cope with such risks on a daily basis (Sick 2014, Brooks 2010, Clausen 2010, Leichenko and O'Brien 2008). Findings point towards the importance of putting people and their perception of risk at the center of studies on vulnerability. Hilhorst and Bankoff (2004) observe that ultimately, vulnerability is about the people, and that understanding their perceptions and knowledge about their risks is key to understanding their actions. They note that “perception is not knowledge, and neither does knowledge always lead to change, but perception is important in understanding why people exhibit behaviors which make them to be vulnerable, as well as understanding the actions they take to improve their lot” (Hilhorst and Bankoff 2004,4).

I use the concept of vulnerability in the senses of both the entitlement framework as well as political ecology approaches. This is to acknowledge that fluctuating prices and unpredictable tobacco markets have real effects on tobacco growers' income and well-being, but also to highlight the insecurity and marginalization of smallholder tobacco growers in the global tobacco value chain. I explored the local understanding of their current predicament by asking about growers' perceptions of the current market instability as well as perceptions about the long-term viability of tobacco livelihoods, and what adaptive actions they were taking to secure their future. Following the findings, I conceptualize vulnerability among smallholder tobacco growers as lack of capability to access information on the actual trends and risks. This comes as a result of growers being entangled in multiple and disparate institutional relations related to tobacco production and marketing most of which expose smallholder growers to exploitation and ultimately preclude smallholder tobacco growers from making meaningful choices about whether they want to continue with growing tobacco and how best to market it.

### **Human Capabilities**

I also employ the concept of human capabilities which includes the ability to use information and other services to respond to changes in the environment (Chambers and Conway 1992). The livelihoods approach expands the notion of poverty reduction to go

beyond increased income, to include wellbeing and increased capabilities. Capabilities are ways of being; the ability of individuals to realize their potential as human beings (Sen 1997). Bebbington (1999) posits that assets (capitals) are not just resources that people use to make a living, but they also give the capability to be and to act. As an example, education as a form of human capital gives capacity to produce efficiently but also to engage meaningfully with the world and indeed the capability to change the world (Bebbington 1999). Conway and Chambers (1991) note that capabilities include the ability to use information and other services to respond to changes in the environment (Chambers and Conway 1991). Tobacco growers at Kumala related that they saw the declining tobacco prices and unstable market through the lens of inefficient and exploitative institutions both at local and national level. They also lament that they lack the voice to weigh in on decisions about prices for their tobacco. I use the concept of capabilities to think around how, as individuals, they can be empowered with information to weigh their options and decide if they want to continue growing tobacco or switch to other crops. Collectively, I think about capabilities in the sense of enhanced abilities to organize and engage in national economic and political processes. These are abilities that will allow them to maintain their livelihoods if need be or secure other opportunities even in a changing context (Bebbington 2001, 2004).

### **Exploring the Context of Rural Livelihoods: Shocks, Conditions, and Trends**

The famous quote from Karl Marx, “men make their own history, but not just as they please”<sup>8</sup> could as well be rephrased as “smallholders make their own livelihoods, but not just as they please.” Livelihoods scholarship has long recognized that just having assets does not secure anyone a viable livelihood. Translating assets into a livelihood strategy is mediated by social, economic, policy, and political processes generally referred to as the livelihood context (Ellis 2000). As I illustrate in chapters 5 and 6, the current uncertainty and instability of tobacco markets which circumscribe growers’ livelihoods is a result of the interaction of complex global and national processes. In addition to local geophysical factors such as weather variability, the farm families at

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<sup>8</sup> <https://www.marxists.org/archive/marx/works/1852/18th-brumaire/ch01.htm>

Kumala are making their livelihoods subject to national and global institutional frameworks, trade and regulatory processes, as well as market trends including changing patterns of tobacco consumption. The livelihoods approach makes it imperative that researchers understand the effects of broader political and economic processes and how these impact smallholders' ability to make livelihoods under changing conditions. The people at Kumala are certainly aware of changing conditions. During interviews about their life experiences as farmers, respondents in the middle age group and older, cited the demise of Malawi Rural Finance Company (MRFC) as a defining moment in their farming. "After MRFC closed in 1998 I stopped growing tobacco. I had nowhere else to get a loan" (Fanwell, October 2014). Active tobacco growers related that the coming of leaf companies to the village with contract farming heralded a paradigm shift, a time in which they are able to grow tobacco with confidence in the resources and expertise provided by the companies. Tobacco growers at Kumala also note that a fluctuating currency exchange rate hurts their pockets as it contributes to rising prices of farm inputs. Furthermore, there are many tobacco growers who would like to be freed from the law that forces them to sell only on the auction market. They would like to take their tobacco across the borders either to Zambia or Mozambique where many believe prices are better. Those who have given a thought to exiting tobacco farming are aware that the manner in which government handles produce trading and export licenses greatly affects the marketing of their produce. They recognize these actions or non-actions either by government or private companies as factors that mediate their livelihoods- as conditions that facilitate or hinder their livelihoods making activities. Elements that comprise the livelihood context are usually categorized into (i) conditions, trends and shocks, and (ii) institutions and organizations. Here I discuss trends and shocks, and in a later section below I discuss institutions.

### **Trends and Shocks**

Trends are slow onset patterns that are largely exogenous to the household and community such as population growth, climatic variation, market fluctuations, migration, and national and international market trends. Shocks are sudden events with adverse

effects on entire communities, region or even entire countries (Conway and Chambers 1991) such as the commodity market crises I discuss under the section “Global Processes, Local Livelihoods: Livelihoods Perspectives on Neoliberal Agricultural Restructuring” below. Researchers have employed the livelihoods framework to investigate the impacts of changing local, sectoral and national trends on local livelihoods. Bryceson (2002), and Bryceson and Johnson (2010) investigated processes of livelihood diversification and the formation of new careers as farmers forayed into the hitherto unfamiliar mining sector following the decline of agriculture in Tanzania.

Angeles and Hill (2009) investigated the gendered effect on livelihoods of agrarian change in a peri-urban community in the Philippines. Other researchers have explored changes in local livelihoods following increased rural-urban migration (Qin 2010), the impact of urbanization on rural livelihoods (Qing Tian et al 2016), and the impact of creation of new protected areas on local livelihoods (Clements et al 2014). Baird and Gray (2014) explored the effect of the change of traditional networks of exchange following diversification of Maasai households into agriculture.

These studies find that new trends may influence new patterns of activity that create wealth and well-being for some groups, while pushing others into deeper poverty and marginalization. Furthermore, these studies reveal the variation of livelihood responses to changes in the livelihood context, and how households combine different forms of capital to achieve viable livelihoods. They further reveal that social capital plays a key role in opening up access to resources and pathways to successful livelihood activities. Although these studies have done a good job describing how rural populations react to new trends, fewer studies have attempted to link changing local livelihoods with changes to the global context. Influential critiques accuse livelihoods scholarship of paying lip service to context (De Haan 2005, Scoones 2009). De Haan (2005) notes that many livelihoods perspectives focus on capital and activities and pay little attention to changes in the structures, processes and institutions that mediate livelihoods. In particular, critics charge that livelihoods practitioners’ commitment to the local has precluded the livelihoods framework from engaging with shifts in global markets and politics (Scoones 2009, Kaag et al 2004). In a further critique greatly relevant to this



study, Scoones (2009) notes that the SLA has failed to grapple with debates on agrarian change and transformation of the rural economy. While livelihoods perspectives provide rich descriptions of current livelihoods, they fail to consider livelihood pathways into the future. In his words, researchers employing the livelihoods perspective fail to ask themselves “what happens when contexts are the most important factor over-riding the micro-negotiations around access to assets and the finely-tuned strategies of differentiated actors?” (Scoones 2009, 181).

In this dissertation I take unstable markets and declining tobacco incomes as key trends shaping the future of smallholder farmers’ involvement with the industry in Malawi. In my field research, I explored local understandings of this trend and the expected responses. Beyond the local context, I delved into the ways in which the institutional, social and regulatory context of tobacco production and marketing at the global level intersect with the politics around public health, trade regimes and motivations for profit making, and how all combine to create a shift in the landscape in which smallholder tobacco production takes place. I also examined how trends created by the shifting landscape are filtered through the national institutional tobacco apparatus and relayed to growers to create specific understandings of trends in the global tobacco industry for the Malawian audience. These lines of inquiry provided insights into how smallholder tobacco growers, finance experts, policy makers and executives in the tobacco industry expect to sustain the industry as the global context changes.

### **3.3 Global Processes, Local Livelihoods: A Livelihoods Approach to Neoliberal Agricultural Restructuring**

In this section I discuss impacts of processes of economic globalization on the livelihoods of small producers. I draw on two sets of case study literature (the global coffee market and tobacco in the US) to explore how the livelihoods approach has been employed to study shock events such as crises caused by unstable commodity markets via neoliberal restructuring. The discussion illustrates the effects of economic globalization on farm based livelihoods and the mediating role of state institutions and other private organizations. The first set of literature explores coffee and the impacts of institutional

change, fluctuating and declining prices (the coffee crisis) on smallholder livelihoods, and in broad terms, the social and environmental consequences of globalizing agricultural markets (Ambinakudige 2009; Babin 2012; Bacon 2005; Eakin et al 2006; Lyon 2011; Rueda and Lambin 2013). Coffee is a very important commodity to the economies of several Latin American, African and Asian producing countries. Before the crisis in the early 90s, coffee had ensured steady incomes to 25 million growers and farm workers in these countries (Oxfam 2006). The dissolution of the International Coffee Agreement (ICA), the primary framework for stabilizing the global coffee market ushered in an era of uncontrolled production and a downward trend on prices paid to coffee growers. Oxfam (2006) estimated that from the 1980s to 2006, the peak of the crisis, nominal coffee prices paid to growers declined by 70%. The ICA signed in 1962 by both producing and consuming countries, stabilized production and marketing by allocating sales quotas to producing countries and setting minimum prices (Oxfam 2006; Ponte 2002).

The dissolution of the ICA came at a time when neoliberal logic ensured that state-owned Coffee Boards that oversaw production, marketing and investment in producing countries were either dissolved or their mandates reduced to just oversight and advisory functions. While these Boards had their share of problems including corruption, bureaucratic red tape, patronage and clientilism (see Lele and Christiansen 1989; Smith 1995), when they were functional, they gave producing countries a measure of control on the domestic and global coffee scene, and as a result, there was a balance of power between producing and consuming countries (Ponte 2002). The dissolution of the ICA and the Coffee Boards, combined with corporate consolidation at global level, the geographic shift of production, and changes in coffee consumption patterns (Oxfam 2006; Ponte 2002) profoundly restructured the global coffee industry leading to uncontrolled production, market volatility, fluctuating prices, and declining terms of trade with devastating consequences on national economies of producing countries and on the livelihoods of smallholder growers, farm workers and their communities.

The second set of empirical literature comes from studies on changes in the tobacco industry and the livelihoods of tobacco growers in some States in the USA such

as Kentucky and North Carolina (Benson 2008; Craig 2005; Kingsolver 2011; Stull 2009; Swanson 2001), and in other countries across the globe (see Brezeale 2010 for Argentina). Like coffee, tobacco is very important to the economies of some States and the livelihoods of growers in the USA and other countries. The literature from the US examines livelihoods of tobacco farmers after the Master Settlement Act (1998) and the dissolution of a federal program that formed the basis of stability in the tobacco industry in the US. The Master Settlement Act (MSA), a key part of the resolution of class action lawsuit filed by several States against tobacco companies to force them to pay for health costs incurred by the States to treat conditions caused by smoking, sought to reduce smoking rates by among other things, reducing production of tobacco and clamping down on advertising of tobacco products; especially towards the youth.

On the heels of the MSA came the Fair and Equitable Tobacco Reform Act of 2004 which ended the federal program that had established quotas for tobacco growers to avoid overproduction, and guaranteed minimum prices for tobacco according to quality and grade. The MSA and the enactment of the Fair and Equitable Tobacco Reform Act changed the structure of tobacco production and marketing in fundamental ways. Following the MSA, national tobacco production quotas were reduced by 30% (Stull 2009), and in Kentucky some farmers had their quotas reduced by as much as 60% (Craig 2005). Reduced production quotas resulted in reduced earnings and most small scale tobacco growers became uncertain about the future of their livelihoods. The end of the federal program saw a complete phasing out of tobacco quotas, and with it, an end to restrictions on volumes and geographical areas of production; the very cornerstones of the “most successful agricultural program in the USA” that had provided stability to the livelihoods of millions of tobacco growers since the 1930s (Stull 2009,55). In addition, following the MSA, tobacco companies began to enter into production and marketing contracts directly with individual farmers, by-passing the traditional auction marketing channels. Removal of the federal program created room for price swings, and further decline of the traditional auction system of marketing as tobacco companies increased the share of tobacco produced under contract arrangements; giving tobacco companies a bigger influence on how tobacco is produced and marketed, and ultimately the prices

growers got for their tobacco. The first season after the MSA, tobacco prices paid to growers in Kentucky declined by 22% (Stull 2009). To cushion tobacco growers from the impact of the restructuring, States allocated substantial funds from the settlement money to help farmers find alternatives to tobacco. From Kentucky's 3.45 billion payment, \$180m was set aside for agricultural diversification (Craig 2005). To the surprise of some authors, even after noting the dismantling of the support framework for tobacco farming and experiencing declining tobacco incomes, not many growers have diversified away from tobacco (Swanson 2001; Wright 2005).

The authors of these studies link the instability in the coffee and tobacco industries, and the resulting impacts on the livelihoods of growers to neoliberalism and globalization. Neoliberal discourse promotes the dismantling of State support to agriculture through withdrawal of technical support and credit services (Hausermann and Eakin 2008). Processes of globalization- the increased flow of capital, labor, and commodities (Craig 2005), and the instigation of competition between commodity producers across the globe is implicated in creating instability and vulnerability in the livelihoods of growers and national economies (Wright 2005). Movement of foreign labor into tobacco producing regions in the US, largely a sign of distressed livelihoods in originating countries, has helped keep tobacco production afloat even as it has resulted in increased stigmatization of immigrant laborers. Kingsolver (2011) and Benson (2008) observe that earlier in its life, tobacco brought European labor from around the globe to Kentucky but now it is Mexicans and other Latin Americans, themselves driven out by damage on their livelihoods by free trade agreements like NAFTA, who work tobacco fields in Kentucky.

Authors of these studies call for putting the instability of the livelihoods of coffee and tobacco growers in places like Kentucky, North Carolina, Nicaragua, Guatemala and India into the broader global economic processes, but replete with accounts of globalization as experienced by growers and workers every day. However, most authors have maintained a static separation between the global and the local, where global economic processes act on rural people who need to adapt. Some exceptions (Benson 2008, Kingsolver 2011) have done a good job describing how both the local and the

global play out in the same place and time and how producers of commodities position themselves as global actors. Kingsolver (2011) notes that “by looking at relationships of local and global as dynamic, we can learn about how people construct meanings of both the local and global and act on them”(p4). This study builds on this understanding of how the global and local processes play out simultaneously by showing how the restructuring in the global tobacco industry has led to the introduction of new production and marketing processes as well as instability in the market, and yet the resulting livelihoods crisis is understood as an entirely local phenomenon. This is because the place of tobacco in the Malawian economy and politics was cemented through a specific national imagination that harnessed resources including labor, and technical and managerial capacities in order to build a national economy through tobacco. As a result, growers understand the livelihood crisis arising from unstable markets within the context of a particular agrarian politics and they respond using politically charged ideological pronouncements as well as traditional coping practices.

Furthermore, most authors have portrayed livelihood crises caused by global restructuring as inevitable results of the workings of global markets; a result of a mismatch between global demand and supply, and consequently they have paid little attention to the underlying structures of production and the role those structures play in predisposing some growers to vulnerability. Fraser et al (2014,53) calls these crises “a feature of rural existence underpinned by local inequalities in access to land and capital shaped by how people’s material circumstances affects their capacity to produce and sell commodities. In effect Fraser et al (2014) are saying researchers should not just accept volatility of global markets, and boom and bust cycles that affect growers livelihoods as a normal aspect of globalization, but rather investigate the ways in which production is structured to understand how different categories of growers either benefit or get excluded from programs meant to help growers deal with these livelihood crises.

While Fraser et al (2014) emphasize differentiation in terms of resources such as land and capital as a factor for deepening inequalities, I extend this concept to include information as a key resource. In effect, I ask how smallholder tobacco growers’ positioning in the social and institutional context of tobacco production keeps them in

the dark about the workings of the tobacco industry, thereby keeping them in a state of perpetual vulnerability.

### **3.3.1 Institutions and Organizations**

The case studies highlight the role of state institutions and other organizations in ensuring the success or failure of efforts to recover from the crises as well as stabilizing future livelihoods. The livelihoods approach pays particular attention to institutions - the behaviors regularized through norms and rules, and through formal and informal organizations (North 1990). Organizations - groups of individuals bound together by some common purpose to achieve objectives (North 1990), are key institutional actors but are differentiated from institutions because they are products of prevailing rules and norms, and they are agents of reproduction of the institutions (Challies and Murray 2011). Institutions and organizations are the social structures critical for mediating factors for building livelihoods because they encompass the agencies that inhibit or facilitate the exercise of capabilities and choices by individuals and households (Ellis 2000,39). Institutions key in shaping livelihoods in an African rural context include those related to the governance of land access, enforcement of property rights, access to markets and capital such as land tenure, savings clubs, local and state laws, market arrangements and industry regulations (Ellis 2000; Francis 2000). Some institutions mediate access to resources even though they are not directly connected to or dependent on the particular resource. For example, marriage, kin networks and gender division of labor might influence access to environmental resources even though they have other purposes (Leach et al 1999). At Kumala land tenure rights are key for gaining membership in tobacco clubs which are in turn, key for securing access to relevant permits, and access to financial and technical support with tobacco production. But these are highly gendered institutions resulting in a gendered division of labor that keeps males in charge of tobacco, and relegates women to lesser value crops. Authors of livelihoods studies have demonstrated how institutions differentially mediate livelihoods according to class, gender and ethnic status through control of access to resources (Angeles et al 2009; Leach et al 1999). Angeles and Hill (2009) observed that institutional discourses

perpetuate inequalities by placing constraints on access to resources by marginalized groups.

Many writers on institutions and livelihoods have focused on the constraining aspect of rules. Hodgson (2006) notes that emphasis on definition of institutions as rules has led many writers to focus on the constraining aspect and neglect the enabling aspect of institutions. Even constraints can open up possibilities and enable choices and actions that would not exist otherwise. Furthermore, studies employing livelihoods perspectives have not paid as much attention to the role of institutions in shaping dispositions. Jakimow (2012) notes that institutions are not only rules that regulate and constrain human behavior. They also provide scripts and schema that people use to view the world. De Haan and Zoomers (2003) calls upon researchers to look beyond access to resources to see how institutional context also shapes aspirations and beliefs of what (livelihood strategy) is possible. Investigating the processes of generational livelihood change among different classes in India, Jakimow (2012) concluded that the institutional context reinforced disadvantages in multiplication and transfer of wealth and it prevented the poorest from aspiring to better livelihood activities resulting in more deprivation and poverty.

Institutions are also implicated in the process of recovery from livelihood crises. Literature on the coffee crisis shows that Non Governmental Organizations (NGOs) conducted awareness campaigns about the coffee crisis and promoted fair-trade and organic coffee markets as alternatives to conventional coffee markets. Various researchers found that participation in organic and fair-trade networks reduced farmers vulnerability to market crises (Bacon 2005, 2008), leading them to call for further integration of smallholders into global value chains by connecting them with organic and fair-trade networks as a way to cushion them from future fluctuating prices (Bacon 2005, 2008; Murray et al 2006; Rueda and Lambin 2013). Critics argue against an uncritical push to incorporate smallholder producers into such global value chains noting that this puts small producers in a subordinate position in networks governed by global capital (Fernandez 2014). Fair-trade has been critiqued as a neoliberal project that confers tangible benefits as development gifts not through empowerment but patronage and



exclusion while employing governance metrics that are coercive and marginalizing (Dolan 2010). Critics have further questioned the long-term impact of alternative markets, arguing that fair trade and organic trade has done little to help the poorest growers and in some cases they have become more indebted which results in less income generation than conventional growers (Utting-Chamoro 2005; Wilson 2010). The most damning critique of alternative markets such as fair trade and organic certification is that, even where they were perceived to confer tangible benefits, they only served elite farmers and did little to alleviate the poverty of land constrained farmers and other marginalized groups including women and informal workers (Fraser et al 2014; Tallontire et al 2005; Utting-Chammoro 2005; Valkila and Nygren 2010), and further deepened inequalities in access to resources and markets (Fraser et al 2014 ).

State institutions also play key roles in the recovery process. Case studies show that in some instances, the state took center stage through interventions including subsidies, price support, research and training farmers in new crop management and marketing practices (Bacon 2005; Eakin et al 2006). Other state programs provided support to growers to diversify away from either coffee or tobacco (Craig 2005; Eakin et al 2006). As a result, some authors in the academy, as well as development agencies, have argued for the strengthening of the capacity of state institutions to help smallholder producers cope with crises and build capabilities to deal with future crises (Babin 2012). Most of these calls ignore the uneven outcomes of state intervention. Critics cite cases where state interventions helped those farmers who could get them, but inefficiency and mismanagement in state owned institutions coupled with poorly designed programs actually exacerbated livelihood crises (Ambinakudibe 2009; Browning 2013). In cases where state programs provided resources for growers to diversify, they ended up suppressing community and local responses to the crisis, promoted over-exploitation of environmental resources and had the opposite effect of pushing some growers further into subsistence livelihoods (Browning 2013; Haussermann and Eakin 2008). Furthermore, uncritical calls for increased state intervention ignore the history and dynamics of relationships between state institutions and smallholder farmers (exceptions are Eakin et al 2006; Fraser et al 2014 and Haussermann and Eakin 2008). The dynamics



of relations between state institutions and smallholder growers influence growers' perception of risks they face, the types of help they can expect, and importantly, their flexibility to innovate and come up with robust local responses.

In Malawi, smallholder tobacco growers must contend with a plethora of institutions and organizations. This dissertation holistically examines the diverse ways in which these institutions and organizations mediate livelihoods in a tobacco growing economy. Local level institutions like marriage and formal organizations like Burley clubs, help facilitate tobacco production and shape a world view that sees tobacco as an integral part of rural life. National and regional level institutions and organizations, including clubs, cooperatives, regulatory institutions, leaf companies and the tobacco market all play a role in shaping beliefs of what is possible in tobacco growers' futures. Starting with the previous chapter on the long history of tobacco production in Malawi, this dissertation takes a historical approach to explore the evolution of state-smallholder relations through market and regulatory practices, and the relations between smallholders and other organizations. In doing so, I illustrate how these relations continue to shape the world views of smallholder tobacco growers. In the next section I discuss the research design and data collection methods used to investigate how institutional practices and influences affect how growers experience and respond to the current market instability.

### **3.4 Research Design**

#### **My Approach to the Study**

Tobacco is a global crop with social and economic implications on diverse groups of people across the world. To study such an encompassing commodity I adopt the framework advanced by Eric Wolf in "Europe and the People Without History" in which he asserted that the world inhabited by human kind constitutes a totality of interconnected processes which must never be studied in isolation. He challenged social scientists to discover a history that would account for how social systems of the modern world came into being. To investigate the processes of capitalist development, researchers need to investigate the effects and reactions of micro populations. Wolf

further noted that histories of local peoples and places are not static givens, but rather a dynamic set of temporal and spatially changeable relationships (Wolf 1982). Further to this, I combine different scales of analysis to explore local reactions to broader national level or global political and economic processes. I explore how national level agrarian histories and a particular local culture mediate the on-the ground responses to global restructuring phenomena (Babin 2012; Lyon 2011). Such an approach requires a careful balancing of scale and context. Scoones (2009) notes that “the future of the livelihoods perspectives is analyses which examine networks, linkages, connections, flows and chains across the scale but firmly rooted in place and context” (Scoones 2009,19). Some recent works (Besky 2012; Lyon 2011) provide methodological models for injecting scale and linking global processes to local livelihoods by using an ethnographic approach. Other studies (Brezeale 2010; Challies and Murray 2014) have combined a global value chain approach with the livelihoods approach to account for global changes on local livelihoods.

This research project sought to explore the intersection of global market processes with often times divergent and contradictory discourses around national politics and state policies, and how these affect smallholder tobacco growers. Marcus (1998,97) notes that “cultural logics sought after in anthropology are multiply produced and partly constituted within sites of the system i.e. modern interlocking institutions of the media, markets, specialist experts etc”. I examine the actions of these actors and their influence on the process of tobacco production and marketing in Malawi (Dilly 2010). While I situated the study in Kumala village as my field site, I keenly followed the discourse around tobacco in different forums including the review meetings of the tobacco establishment. I held interviews at corporate offices of key players in the tobacco industry including regulators, tobacco leaf merchants, managers of the auction market and bureaucrats at the Ministry of Agriculture. I collected stories from the media to identify the ways in which policy and political discourse around tobacco were woven and crafted by key actors for the Malawian audience. Ultimately through this multilayered approach I illuminate the dynamics of interactions between actors and institutions and smallholder tobacco growers, and how these shape the growers perception of changes and how they

respond to them.

### 3.4.1 Methodology

In this section I discuss the research questions, research design and the data collection methods I employed to capture local peculiarities of tobacco based livelihoods, as well as the national structural, institutional, and discursive elements that circumscribe smallholders' experience and perception of unpredictable markets and uncertain futures. I also provide a brief description of the field site.

Understanding the link between growers' experiences and responses to an unstable global tobacco economy is a task that calls for investigation into several aspects of agriculture, both from the perspective of the farmers, and that of policy makers and managers of the sector at various scales. Ultimately the challenge for me became to investigate how smallholder farmers filter tobacco dynamics in global agriculture through their interaction with various local and national level institutions. Through this ethnographic enterprise, I sought to capture lived experiences of tobacco growers and the meanings attached to tobacco growing in rural Malawi, and how these influence responses to the current crisis (Griffiths 2009; Stull 2009). I interviewed people about their livelihood activities, about their farming history, their experiences with commodity markets and decision making about crop practices. The ethnographic approach further allowed me to observe the structures that underpin the tobacco industry in Malawi at all levels. It revealed the tensions between official narratives and personal experiences which cannot be captured in aggregated national data sets. It allowed me to see the effects of instability in the tobacco industry; effects that one would never relate to tobacco from aggregate national reports of dwindling farm incomes (Dilly 2010). Throughout the study, my main question was: *how do smallholder tobacco farmers experience the instability in the tobacco industry?* I broke this question into related questions;

(i) *What are the perceptions of smallholder tobacco growers of the changes that are happening in the industry?*

*(ii) How do institutions related to production and marketing of tobacco shape farmers' perception of risk and awareness of the changes they face?*

*(iii) How have smallholders responded to the changes in the global tobacco industry?*

Fieldwork focused on understanding people's livelihoods, farming histories, and their experiences with market crises in order to understand the effects of instability in the tobacco industry on the livelihoods of smallholder farmers.

### **3.4.2 The Site**

I conducted the study in Kumala, one of 92 villages under Khubwi Section, itself one of 14 Sections of Mitundu Extension Planning Area (EPA). Historically, tobacco has been the major source of income for the people of Kumala. Kumala has the second highest concentration of tobacco growers in Khubwi Section with a total of 16.15 Ha of land allocated to tobacco in 2015/16 growing season. Umodzi village had 23.55 Ha allocated to tobacco. The history of tobacco in the area is underpinned by the presence of two estates, one at Mitundu Trading and the other adjacent to Kumala village, both originally owned by the now defunct Press Agriculture. Press Agriculture was one of the companies owned by Press Corporation, a conglomerate controlled by Hastings Kamuzu Banda, former President of Malawi that played a critical role to channel investment into the agricultural sector in Malawi (Van Donge 2002). The estates used to grow a lot of tobacco and they employed people from Kumala and surrounding villages as laborers. The theory is that after the growing of burley tobacco was liberalized, these people went back to their farms to grow burley following the tobacco husbandry techniques they learnt from the estates.

### **3.4.3 Sampling**

I conducted a multistage sampling process. The first stage of sampling involved a village wide census with the purpose of establishing a sampling frame. In all, the sampling frame had 139 households. The second but no less important purpose was to

familiarize myself with the village and the people. This second stage used results from the village census to categorize farmers into tobacco growers and non-tobacco growers. Tobacco growers were those who grew tobacco in the current farming season. Non-growers were those who indicated that they were not currently growing tobacco, and had not grown for at least the last two consecutive years.

In the third stage of sampling, I identified households according to the three stages of the household lifecycle, young (early) stage households, mid-stage growing households, and mature (late stage) households. This is because my initial focus had been on young farmers, with the intent to study the long-term perception of risk among young farmers. Although my focus changed to cover farmers of all ages as the study progressed, these categories still proved useful. I employed the household lifecycle approach due to difficulties over the definition of age and delineation of categories of young, middle age, and old. Cross-cultural studies have shown that age is not just a chronological number but a lived experience with distinct cultural meanings accompanied by specific social roles that individuals are expected to fulfill at different stages in life (Cliggett 2005, Lee 2003, Sumberg et al 2012). I identified early stage households using the following characteristics: 1) head of household is under the age of twenty-five, 2) has no more than two children and dependents, and 3) must have established himself as an independent household within the last three years. Middle stage household heads were those over 27 years of age, had growing children, and must have established households at least three years old. Mature (or late stage) households are those with senior men and adult sons still living in the same household.

Having placed the households in the three life cycle stages, I used purposive sampling (Bernard 2006) to identify ten case study households from each life stage category split between growers (5) and non-grower (5) households. This yielded thirty (30) case study households in total. The case study households were selectively sampled in order to capture variation in socioeconomic status, household size and composition. From the non-tobacco growers category, I purposely included those focused on business, those engaged in dimba farming as an alternative to tobacco, as well as those carrying out other livelihood activities such as firewood and charcoal selling (Orr and Mwale 2001).

These became my case study households whom I interviewed in-depth about their experiences growing and marketing tobacco (for growers) and making a livelihood away from tobacco in the village (for non-tobacco growers) (McCabe 2005).

#### **3.4.4 Data Collection Methods**

I employed a mix of qualitative data collection methods to study the effects of institutional restructuring on smallholder tobacco farmers livelihood strategies. I collected three types of data (i) demographic and socioeconomic data (ii) ethnographic data (iii) secondary data.

##### **(i) Demographic Data**

I collected demographic data through a village census, which was my first activity in the village. The census captured demographic information such as names of household members, ages and educational levels of members, livelihood activities by members of the household; numbers and sizes of the farm plots the household was working on that growing season. During the census interviews I also asked about the ownership of the farm plots, specifically whether it was owned by the husband, the wife or if it was a rented plot. Furthermore, the census collected data about numbers and types of assets in the household, as well as the ownership of the assets (i.e. whether owned by the husband or the wife). This census helped me to become familiar with the population and the key livelihood activities (Schensul et al 1999). It also helped separate tobacco growers from non-tobacco growers for further interviews. Data about the ages of household heads also helped me identify the different stages of the lifecycle which formed an additional category for case study households (see Tables 3.1, 3.2 and 3.3 for demographic, socioeconomic, livelihoods and assets data).

Table 3.1: Demographic and Socioeconomic Data

	<b>FHH*</b>	<b>MHH*</b>	<b>Total</b>
<b>Number of Households</b>	11	126	137
<b>Average Household Size</b>			4.6
	<b>Range</b>	<b>Primary</b>	<b>Post-Primary</b>
		<b>(1-8 years)</b>	<b>(9-16 years)</b>
<b>Education Attainment.</b>	0 -16 years	109	24
	<b>Growers</b>	<b>Non-Growers</b>	
<b>Tobacco Growing</b>	47	90	137
	<b>Young-Stage</b>	<b>Mid-Stage</b>	<b>Mature</b>
<b>Age Groups</b>	46	45	42
<b>Tobacco Growing by Age Group.</b>	12	21	14

\* FHH - Female Headed Household, \* MHH - Male Headed Household.

Source: Author's Census Data

Table 3.2: Other Household Livelihood Activities

<b>Livelihoods Activities</b>	<b>Frequency</b>
Petty Trading	27
Business	15
Labor hange	24
Tobacco vending	6
<i>Dimba</i> Farming	30
Beer Brewing	13
Charcoal/Firewood	10
Formal Employment	14

Source: Author's Census Data

Table 3.3: Assets Owned By Households

<b>Asset Owned</b>	<b>Frequency</b>
Goats	46
Cattle	9
Chickens	63
Pigs	10
Bicycle	46
Motorbike	5
Bailing Press	2
Oxcart	3
Brick and Iron Roofed House	22

Source: Author's Census Data

## **(ii) Ethnographic Data**

### **a) Key Informant Interviews**

I conducted interviews with selected key informants to get a broad view of themes around village life, and tobacco farming and marketing in Kumala and surrounding areas. Results from the census were useful in identifying informants based on particular aspects of village life and farming. Key informant interviews focused on social organization in the village, history, key events in the farming history of the village. Interviewees included village heads and other knowledgeable people identified in the census. I identified key informants who I deemed knowledgeable on particular topics such as tobacco production and marketing (Schensul et al 1999). These included staff from the department of agricultural extension, extension agents of tobacco companies operating in the area, and staff from cooperatives. Interview topics included trends in tobacco production, perceptions on the future of tobacco, official positions of various agencies on tobacco and the effects of a changing tobacco economy.

### **b) Semi-structured Interviews**

I conducted semi-structured interviews with officials, including officers from the Ministry of Agriculture, agro-input dealers, executives from head offices of tobacco companies, officials from Auction Holdings Limited, (AHL-the company that runs the tobacco auction) and officials from Tobacco Control Commission (TCC), which is the



industry regulator. The interview with the Ministry of Agriculture was intended to get the official position of the Ministry on tobacco and their perception as to what is causing instability in the industry. Interviews with the tobacco company executives focused on their perception of the instability in the industry as well as the relationships between the companies and government on one hand, and the growers on the other. Tobacco companies are known for their secrecy which meant that getting information was an arduous undertaking. Requests for interviews had to be cleared at the highest level of corporate affairs departments. And even then, they declined to share data on how much tobacco they bought and the destination of their tobacco citing protection of trade secrets. The interview with a TCC Executive centered on the role and capacity of the government to stabilize the tobacco industry. Interviews with staff from AHL were interesting because of the honesty and forthrightness of their answers. While the rest of the industry including government were reluctant to admit that tobacco was facing troubled times ahead, AHL were forthright about the initiatives they were taking to diversify from tobacco. They were also eager to talk about the mismanagement and alleged practices of corruption among players and collusion among tobacco buyers.

### c) Participant Observation

I employed participant observation to understand dynamics in the production and marketing process. I accompanied some respondents from my case study households to their farm plots and helped with gardening. This gave me a chance to talk about decision making and adaptation at farm level. On these observation trips, the farmers and I talked about weather patterns and the challenges it presents to farmers. These conversations gave me insights into how farmers perceive climate based risks and how they prepare to offset them. One way to adapt is to plant a variety of seeds with different characteristics. My participants demonstrated incredible knowledge about seeds and the choices they make on what seeds to plant based on their perception of weather patterns. I learned that farmers who often own and work on several farm plots may plant different varieties of seed on different plots. For example, a farmer may plant a short maturing maize variety on one plot and a long maturing variety on another plot in order to hedge their bets on the rains.

In addition, I observed extension meetings where agents of the tobacco companies met with growers to discuss tobacco growing and marketing. This gave me insights into the relationships between tobacco companies and the growers as well as what these parties both expect from each other. Finally, I visited the tobacco Auction Floors in Kanengo to observe how tobacco marketing is done. I did this to get a deeper understanding of the marketing process itself and the ways in which players in the industry play their roles on the marketing segment of the tobacco chain. Observing the marketing allowed me to understand the tobacco grades system and how it gives rise to perceptions of good as compared to bad tobacco from the perspective of both the buyers and the growers. I observed the social positioning of the actors as they played their roles. Tobacco buyers typically occupy the highest position in the play of events even above TCC officials who are supposed to play a regulatory role during the sale. The farmer occupied the lowest rung on the ladder. The farmer watched as the buyers decided what price they were willing to pay for his tobacco. But not all the time. During one of my visits I observed farmers shut down the auction floor in protest of poor prices and a high rejection rate. This was a show of farmer solidarity and resistance toward the tobacco establishment that has become common in recent times.

#### d) Group Interviews

I conducted two group interviews at the initial stage to gauge knowledge about main themes surrounding agriculture and livelihoods in the village. The interviews included various demographic groups: young, old, men and women to allow me to get rounded views about life in the village. The interviews covered topics such as farming, food security, challenges to farming and livelihoods and they allowed me to ask pointed questions to gauge the knowledge of stressors to livelihoods. I asked participants to confirm the livelihood options available in the village, who among men, women and young people pursued which livelihood options and the meanings attached to particular livelihood options. From the information collected through these interviews, I was able to draw a broad seasonal agricultural calendar and construct a timeline of major events related to agricultural livelihoods in Kumala.

#### e) In-depth Household Interviews

I conducted in-depth open ended interviews with male heads of the case study households. I locate the dynamics of farm production and livelihood making within the household as a social and economic unit in which actions to adapt to social, cultural and economic change take place (Wilk 1997). The household is conceptualized here as a set of fluid social relations and practices which include allocating work and resources, but also the rights to enjoy the benefits of collective energy. These relations are dynamic and they may vary as a result of changes in the economic environment (Cliggett 2001; Wilk 1997). The household is also a site of unequal relations which constrains individual choice, entrenches patrimonial power relations that disadvantage women and young people, and allows senior male heads of households to exploit women's labor and income (Ellis 1998; Guyer and Peters 1987). Anthropological research on the household has revealed the tensions that exist between junior and senior men in a household revolving around control and access to productive resources. Senior men use wealth accumulated over a life time and generational authority to perpetuate a patriarchal hold over young men by keeping control of resources such as land, livestock and farming equipment. This keeps young men from moving out to establish independent households, allowing senior men to exploit their labor on the farm and control decision making on productive activities (Cliggett 2005; Donham 1999). However, this patriarchal hold comes with obligations as senior men are expected to provide resources for young men to marry and establish their own homesteads, and if this is not accomplished young men may choose to break away and seek their fortunes elsewhere (Donham 1999; Wilk 1997). Locating the study within the context of the household revealed insights on how household heads access labor for growing tobacco from their wives and children and how that in turn obligated them to share proceeds from tobacco. Attention to the household also revealed the ways in which material needs and reproductive needs, including the need to form new households for young people intersected to keep tobacco farming at the center of family life.

I conducted no less than two interviews with each case study household. The first interview covered the basic socioeconomic profiles of the household including household

size and composition, farm size, livelihood options. The interview also covered the journey of the grower i.e. how they got started in farming and their experiences either as a grower or a non-grower. The last part of the interview covered the perceptions of the future of tobacco farming and their plans for the next growing season. The second interview was held at the end of the tobacco marketing season when farmers had sold their tobacco, received their money, and were in the process of making plans for the next growing season. The interview reviewed plans and expectations from last season as compared to how the growing season turned out. We reviewed how much tobacco, maize, soy and other crops they had harvested. How much they had made from tobacco sales and what they have done with the proceeds. The interview also asked farmers to recount their experiences during the selling season. This was especially important for farmers who indicated that they were on contract with tobacco companies as well as those who were not on contract. The interview ascertained the grower's perceptions on the future of tobacco i.e. if for example, in the first interview they expressed desire to get out of tobacco farming, were they making plans to follow through?

In total, I conducted in-depth interviews with respondents from 34 case study households of which 16 were tobacco growers, 13 non-growers and 5 labor migrants (see Table 3.4 below).

Table 3.4: List of Case Study Households Interviewed

		Grower		Non-Grower	Labor Migrants	Total
Case Study Households		Contract	Non-contract			
	Young	1	3	4	2	10
	Mid-stage	5	1	5	2	13
	Mature-Stage	3	3	4	1	11
	<b>Total</b>	<b>9</b>	<b>7</b>	<b>13</b>	<b>5</b>	<b>34</b>

Source: Author's Census Data

Of the 13 non-growers, in-depth interviews revealed that some of them had decided to quit tobacco but many had no resources, either land, labor or money to successfully grow tobacco and they were working towards that goal. Also included among the case studies were five (5) interviews with persons who had just returned from labor migration.

In addition to these, I conducted seven (7) Key Informant Interviews, nine (9) participant observation events, three (3) focus group discussions, (3) Group Interviews (3), six (6) life histories and twelve (12) semi-structured interviews (see Table 3:5).

Table 3.5: Other Interviews

Type of Interview	Total
Semi-Structured	7
Key Informant	12
Participant Observation Events	9
Focus Group Discussion	3
Group Interviews	3
Life Histories	6

## Secondary Data

In addition to interviews, I also collected archival material from newspapers on all news topics on tobacco from 2011 up to 2016. In addition, I collected publications from my informants' work places. These included annual reports and data on production and marketing of tobacco.

The ethnographic and secondary data allow me to tell stories of rural life under a tobacco regime. They are stories of individuals, families and communities living with contradictions around a crop that once promised prosperity for everyone but now brings uncertainty about future livelihoods except for the selected few.

## Data Analysis

Following data collection I tabulated demographic and socioeconomic data in Microsoft Excel and I generated some descriptive statistics on age, gender and other socioeconomic indicators such as land and asset ownership. Qualitative data generated

from interviews and group discussions were recorded in audio, transcribed and loaded in ATLAS. These data were deductively coded for socioeconomic indicators such as gender, grower vs non-grower, and age-group. In addition to socioeconomic indicators, I identified and coded the data for key concepts which were further grouped into categories. Some of these categories corresponded to or were generated from the research questions. These included categories such as:

- perception of instability in the tobacco industry
- perception of causes of instability in the tobacco market
- perceptions on long-term viability of tobacco farming
- adaptive responses or plans to take adaptive responses
- measures for coping against tobacco market instability

Other categories were allowed to emerge from the texts. These included:

- interactions with tobacco companies
- challenges in the tobacco marketing system

Further analysis sought to provide context and explanations of the key emerging categories using ethnographic details. I used exemplar quotations to illustrate key findings of both extremes -the most representative and the least representative. I reached my final conclusions by comparing categories to understand how they relate to each other while paying special attention to cases deviation -for example my conclusions on growers' understanding of market instability in the short-term and in the long-term had to be consistent with adaptive actions they had or had not taken. Finally, I checked the main categories to ensure they were consistent and supportable by ethnographic data while making links between these categories and literature on concepts of vulnerability, risk perception and livelihood adaptation.

### **3.5 Conclusion**

This dissertation brings together strands of two interrelated stories. These are stories of a changing agriculture within the context of changing global economic and trade regimes, and the stories of lived experiences of smallholder tobacco growers as they

deal with these changes. The task of unearthing and making sense of these stories required the combination of two research traditions, the livelihoods approach and agrarian political economy. The livelihoods approach allowed me to discuss the dynamics of livelihood making in a rural setting, as well as the practicalities of livelihood adaptation and diversification. This approach also allowed me to unpack and bring to the fore the livelihood context, comprising national and local trends such as the on-going market instability, and the policies and regulations that constrain local livelihoods. Importantly, the livelihoods approach also allowed for an exploration of the role of institutions in shaping awareness and perception of risk, as well as in assisting rural populations cope and recover from livelihood crises.

I drew on the agrarian political economy research tradition to highlight debates on the development of capitalism, and the status of the peasantry. Scholarship on agrarian political economy provided me with a framework for understanding the changes in the rural economic and social landscape brought about by the development of agrarian capitalism. The political economy approach also provided a background for understanding capitalism and the role it plays in the neoliberal restructuring of agriculture, including gutting the state centered marketing and regulatory systems which has resulted into increased vulnerability among growers across the world.

This task of unearthing these stories also required a combination of methods that allowed me to follow the discursive elements, as well as the processes and practices of growing and marketing tobacco in Malawi. Through semi-structured interviews with industry executives, regulators, and government bureaucrats I collected the official narratives about tobacco livelihoods and the current market instability. In-depth interviews, life histories, group interviews and observations allowed me to capture the practical experiences of making a livelihood out of tobacco but also of living under a crop with an unstable market.

## **Chapter Four: The Social Organization of Tobacco Production**

### **4.0 Introduction**

In order to appreciate the dynamics of change in agriculture and the rural economy, and to understand how locals perceive and respond to these dynamics, this chapter will introduce the reader to the places, the people in the dissertation and their social worlds. The first stop on the journey to explore dynamics in production, marketing, and management of the tobacco value chain is Lilongwe, the capital of Malawi. With an industrial zone and an administrative center, Lilongwe is a nexus of global-local tobacco relations, where global tobacco capital meets local politics and local sociocultural production peculiarities. It is a place where global economic, institutional and regulatory processes, and the profit making motives of tobacco conglomerates articulate with local politics.

The chapter introduces Kumala village and the people who grow the tobacco leaf, taking us to the most primary node of global-local connections of the tobacco commodity chain. By placing the village in relation with Lilongwe the capital city and the industrial zone that houses the commercial tobacco establishment and allied service industries, I illustrate how Kumala, as a place, is inserted into the national agricultural economy and into networks of global commodity flows. In addition, the chapter also introduces the farm families and the community that produce this global commodity. I discuss the people, the household setting, and their livelihood activities. My goals are twofold, (i) to illustrate the household social relations that make production of tobacco possible, and(ii) to illustrate the role of tobacco in the household and the broader rural economy. Ultimately, in this chapter I show that at Kumala, the organization of labor for tobacco production, and the flow of earnings from tobacco are central to the reproduction of the household and the community.

### **4.1 Lilongwe: The Setting of the Study**

Lilongwe, the administrative capital of Malawi, is an ideal place to conduct an inquiry into the social relations that structure the production and exchange of a global



commodity such as tobacco. The story of the founding of Lilongwe with the establishment of estates by Andrew. F. Barron and Roy Wallace has already been recounted in chapter two. The move by Barron and Wallace marked the beginning of the establishment of the central region, and Lilongwe in particular, as a key center of tobacco production in Malawi. Today, Lilongwe is the second biggest producer of tobacco in Malawi after Kasungu District. Nevertheless the real shift of tobacco power from the southern region was effected in 1979 with the establishment of an auction floor at Kanengo - an industrial zone on the outskirts of Lilongwe (Wilshaw 1994).

Visitors landing at Lilongwe's Kamuzu International Airport are welcomed to a rural farm landscape at an airport just 20 km outside the city center. A fifteen minute drive into the city on the main road (the M1) brings one to an incline overlooking an industrial zone, revealing an array of factory style buildings. That is Kanengo. The term 'industrial' could be considered a misnomer because over 90% of the industries are agriculture related and are mostly centered on tobacco. In addition to the tobacco auction floor, Kanengo is where offices belonging to international and local tobacco leaf merchants are located. The auction floors as well as processing and storage plants for leaf companies occupy most of the industrial zone, with more still under construction on the outer edges of the zone. The Railway Company, as well as international and local road haulage companies are also located here to service the auction floors and the tobacco processing plants. Not to be outdone, input suppliers and commercial banks have positioned themselves inside the industrial zone to service both the staff from tobacco and allied industries, as well as growers. Whereas global capital has provided for magnificent offices, state-of the art communications for expatriate managers and their local staff in industrial enclaves like Kanengo, evidence of how the periphery has fared in export driven agriculture is not too far to see. At the edges of the industrial zone, the Lilongwe-Salima Road separates the industrial zone from Chatata village which symbolizes the impoverishment in the rural areas where the tobacco is grown, just a few meters from the center of wealth in the industry.

Another ten kilometer drive from Kanengo will take one to Capital Hill, a collection of uniformly white office buildings that is the seat of the Malawian

government. Here bureaucrats at the Ministry of Finance keep an eye on tobacco sales and crunch numbers on how much foreign exchange will be trickling into the country. Down the road, staff from Ministry of Agriculture Headquarters collate statistics on tobacco production from local offices throughout the country. The production assessments indicate whether the country is headed for an oversupply or a deficit of tobacco. These assessments are a first indication of whether prices will be good or bad.

Further, in down town Lilongwe is the premier business location in all of the central region and it provides a strategic place for measuring the pulse of the economy. Lilongwe (and Malawi in general) is a seasonal economy, and the season is marked with the beginning in March or April of tobacco sales and runs up until August or longer depending on tobacco volumes. In a good season multitudes of growers from tobacco growing districts in the central region descend on Lilongwe. They come to purchase farm implements and inputs, consumer goods like radios, televisions, cell phones, clothing, bicycles, and of late, solar equipment for lighting. Service industries including garages, transporters and operators of entertainment joints all make good business servicing the influx of rural growers awash with tobacco money. During the season, banking is a nightmare as banking offices and ATMs are filled with growers making withdrawals, following up on delayed funds or conducting other banking transactions. This is when business thrives and Lilongwe comes alive. Traders usually greet each other with small talk on how the ‘season’ is going. Of late, this small talk consists of complaints about how the season is no different from any other time. “*Season inali kale*” “the season used to be the season in those days.” is the popular refrain.

Situating myself in Lilongwe revealed how tobacco oils the economy and sets the rhythm of life for the different sectors such as banking, transport and entertainment. Being in Lilongwe also allowed me to experience the contradictions in the tobacco industry. Whereas industry employs the rhetoric of declining global demand due to the WHO spearheaded Framework Convention for Tobacco Control (FCTC) to explain low prices paid to growers, this is contradicted by the pace of investment in the sector. The construction of processing plants and offices is going on at full pace. The Tobacco Control Commission (TCC) has financed two multi-storey office buildings within a

fifteen year period. Premium TAMA one of the leaf buying companies is finishing up an expansive processing plant. An Egyptian cigarette maker is also finishing work on a new processing plant. All these investments are in stark contrast with the impoverishment of tobacco growing communities like Chatata village, a throw away from the tobacco industrial site. It is also in stark contrast to the feeble business life prevailing in down town Lilongwe in recent years. These contradictions form the background of my approach to the local and global components of the crisis that tobacco growers in Malawi face. While there is clearly a global context to the story of tobacco, the shape of the crisis has local elements which impact growers' livelihoods.

### **The Study Area**

I conducted this study in Kumala village under Mitundu Extension Planning Area (EPA) in Lilongwe, which is itself one of 36 EPAs under Lilongwe Agricultural Development Division (ADD). I obtained institutional ethics clearances, (non-medical IRB from the University of Kentucky) and from the District Commissioner of Lilongwe in whose district I intended to conduct the study. With this permission, I headed to Lilongwe Agricultural Development Division (ADD) to notify the District Agricultural Development Officer (DADO) about my intention to conduct the study in his area. We discussed the objectives of my research and I asked for his help to identify the most suitable EPA in the ADD where issues surrounding tobacco farming could be best studied. Before settling on the village site, we went through some 'must-know' statistics about the ADD. Lilongwe ADD is one of eight ADDs in Malawi. ADDs are the major agricultural administrative regions in which the country is divided. Lilongwe ADD has a total land area of approximately 1,194,949 hectares of which about 679,394 hectares is arable. It covers four districts in the central region of Malawi namely; (i) Lilongwe West, (2)Lilongwe East<sup>9</sup>, (3) Dedza and (4) Ntcheu. ADDs are further divided into Extension Planning Areas (EPAs), and EPAs into Sections overseen by an agricultural extension worker. In the end he suggested Mitundu EPA and advised the Agricultural Extension Development Officer

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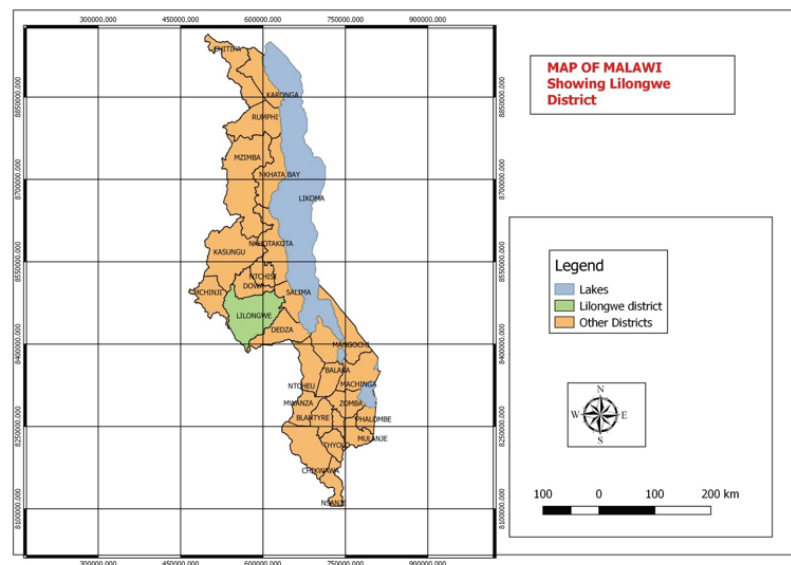
<sup>9</sup> Lilongwe East and Lilongwe West are part of Lilongwe District. They are only designated as districts in the classification of agricultural zones in Malawi

(AEDO)<sup>10</sup> at Mitundu to cooperate with me on the study.

## Mitundu EPA

Mitundu EPA is located 30 km southeast of the capital Lilongwe and it covers the area under Traditional Authorities (TAs) Chiseka and Msinja. These are both Chewa Chiefs and Chewa people dominate the area. The EPA is comprised of 819 villages with 11973 male headed households (MHH) and 10866 female headed households (FHH). It has a total of 15,649.5 Ha arable land and 6555.4 Ha non-arable land. Of this, 21,230 Ha is under smallholder cultivation while estates occupy 974.5 Ha. Located on the flat lying Lilongwe plains, Mitundu EPA covers a rich agricultural area with dark red soils. It has three distinct seasons; dry, cool and rainy seasons and it registers between 800-1200 mm of mean annual rainfall which is favorable to most field crops. The length of the growing season is between 135 - 150 days and it usually coincides with the rainy months of November to April (see figure 4.1 showing map of Malawi and figure 4.2 showing map of Mitundu EPA).

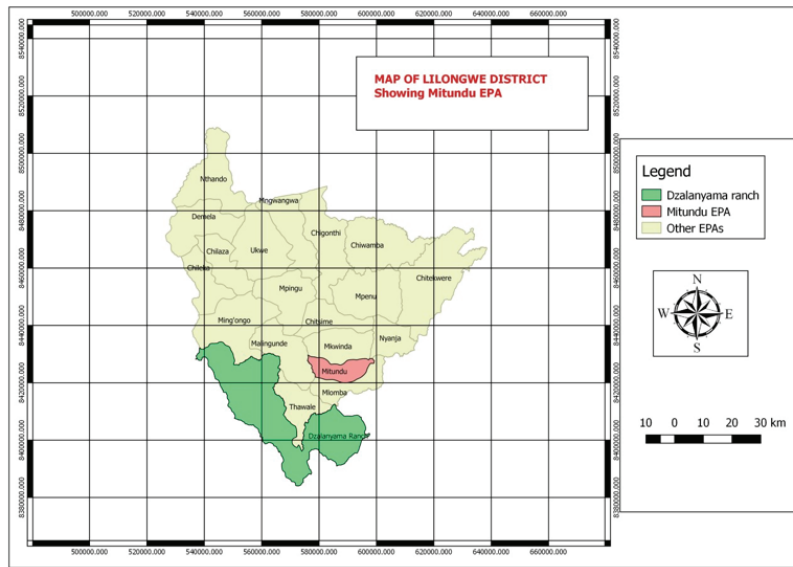
Figure 4.1: Map of Malawi Showing Lilongwe District



Source: Agricultural Land Resources Unit, Ministry of Agriculture, Irrigation and Water Development, Malawi

<sup>10</sup> Agricultural Extension Development Officer (AEDO) is the title of the officer in charge of an EPA

Figure 4.2: Map of Mitundu EPA



Source: Agricultural Land Resources Unit, Ministry of Agriculture, Irrigation and Water Development, Malawi

Socioeconomically, Mitundu is an important agricultural and commercial center in several ways. First, it encompasses a rich agricultural area, such that it is considered the breadbasket for the capital. The EPA is a key source of farm produce including maize, beans, cassava and sweet potatoes. In the months of March to June multitudes of trucks ply the road from Mitundu Trading center into the capital bringing sweet potatoes to markets in the city. Small scale farmers and traders hauling oversized sacks of sweet potatoes on bicycles compete for a share of the road with the trucks as they too make their way to the city markets. Sweet potatoes are an important snack and breakfast food in Malawian urban centers, creating a big demand for the tubers for which farmers are happy to supply. When the potatoes go out of season, the same trucks and bicycles can be seen ferrying cassava on the same route, to the same markets. Such is the importance of Mitundu that the construction of a tarmac road from the city to Mitundu trading center was justified on the premise of this being a rich agricultural area.

Secondly, owing to the agricultural produce and relatively easy accessibility to the city, Mitundu has developed into a relatively large trading center. On market days, which fall on Saturdays and Wednesdays, people and business persons from the city and

other parts of Lilongwe flock to Mitundu to buy agricultural produce for consumption or for sale back in the city. Some traders also bring goods for sale including second hand clothes, household items and other consumer goods. Several large farm input supply chains as well as locally owned suppliers of seed and fertilizer have opened businesses here to be close to the farming population.

Thirdly, Mitundu is close to the Mozambican border. As such, there is always traffic of people going to trade between the two countries. Mozambican traders frequent Mitundu to sell their wares and buy wares for resell in their country. As a rich agricultural area which is easily accessible to the capital serving volumes of people and as a gateway to Mozambique, Mitundu is connected to the region, nationally and across the borders of Malawi. People have access to trade opportunities. They can easily board a truck, bus or ride a bicycle to sell their wares in town and shop for their needs. While many areas in Malawi experienced food shortages in 2015/16 due to erratic rainfall (Malawi Vulnerability Assessment Committee<sup>11</sup>, Fewsnets 2016<sup>12</sup>, World Food Program<sup>13</sup>), Mitundu had relatively good harvests. Drove of informal traders descended on the villages in the EPA to buy maize. The dynamics of the food market come into play and affect the income and food security of the people of the region. Labor is another connection between Mitundu and the urban economy. Some residents commute from Mitundu and surrounding villages to work in the city as low level clerks, maids and guards (watchmen).

From land use records at the EPA, the AEDO and I noted that Khubwi Section is the most prolific producer of tobacco in the EPA and we settled on Kumala as the village where I would conduct my study because the village had a long history of growing tobacco in the EPA and most people depended on income from tobacco.

## **The Village**

Kumala village is located about 5km west of Mitundu trading center and is easily accessible by car or the many bicycle taxis (*Kabaza*) that ply the route. It is off a major

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<sup>11</sup> <http://documents.wfp.org/stellent/groups/public/documents/ena/wfp285528.pdf>

<sup>12</sup> <http://www.fews.net/southern-africa/malawi>

<sup>13</sup> <https://www.wfp.org/news/news-release/wfp-begins-unprecedented-emergency-food-relief-operation-drought-hit-malawi>

earth road that passes through residential areas and farmlands connecting Mitundu to Malingunde, another major trading center further west. Turning off the road, a narrow path descends into the village. Standing at an incline, the village is a mixture of all types of dwellings. Most houses are made of earth and thatched with grass but a few are made of burnt bricks and roofed with iron sheets; a reminder of the village's more prosperous past. A household usually has two to three houses depending on the size of the household. If the household owns livestock, the pens are built close to the houses. Kumala is a rather concentrated settlement such that most people have their farm plots outside the village although a few households have farm plots next to their houses. Households typically have multiple plots spread across the area which means that they have to walk or bike to their fields.

Down the slope, beyond the village and at the end of the incline is a *dambo* - a wet land on the banks of a small perennial river usually covered with green grass for most of the year. Some residents have plots at the *dambo* called *dimbas* where they grow vegetables, beans, sweet potatoes and summer maize using hand-irrigated water from the river. The *dambo* is also where tobacco growers make nurseries for tobacco seedlings. Looming further west is Dzalanyama Forest, a government protected forest reserve where some Kumala residents go to harvest wood and some to make charcoal.

### **Entering the Study Site**

Having settled on the site, the Extension Officer for Khubwi Section escorted me to the village to meet with Village Headman Kamala. Upon learning the purpose of my trip, the headman convened a meeting with all the other chiefs in order to allow me to explain my research plans. At the meeting I briefly introduced myself as a student at the University of Kentucky interested in studying the community's perception of long-term trends in agriculture with a focus on tobacco farming. At the end of my briefing one of the chiefs raised his hand to speak. He asked whether this was all just about research or whether at some point I will be coming up with a program to distribute farm inputs. This was to be anticipated. Historically, most of the research conducted by government and development agencies has been done either as pre-project assessments or as baseline or

evaluation studies related to some project intervention. This makes it harder for academic researchers like me to justify studies with no immediate project intervention. In response I clarified that I was a student with no affiliation to any government or non-governmental agency and I will not be rolling out any projects. The next question was, also expectedly, about what I intended to do with the results of the study. I proceeded to elaborate on the benefits of this kind of research to the tobacco farming community and the country as a whole. I explained that the findings will help me and people in policy making positions in government and other agencies to understand how farmers were coping with changes in the markets for the crop they depend on. After a brief discussion among themselves they approved the plan and allowed me access to the households in the village. After this meeting, I noticed that people were open to talking to me and to answer my questions. I hired a research assistant from the village to escort me around and I began to learn about the village and the people.

#### **4.2 The People**

The area of study is popularly known as Kumala Village but in fact Kumala is just one of seven villages under Group Village Headman Michembo. The other villages are Kumala, Chanonga, Lunguzi, Kumsalula, Gwengwe, Chitani, and Langwani. Though all residents born in the village now self-identify as of Chewa ethnicity, they are essentially an amalgamation of different ethnic groups that came into the area and settled under the chieftainship of Michembo. For example, the Kumalas were originally Ngonis from Mozambique who came to the area through Ntcheu in Central Malawi passing through Dedza on their way to the present site. By the time they arrived at the present site in the early 1930s, they had already picked up Chewa customs. Until recently the heads of these seven sub-villages were merely recognized as family heads and not village headmen. With the coming of a government farm input subsidy program in mid 2000s, the families were designated as villages so that they could access subsidized inputs in their own right. Now the new village heads are responsible for their own families (now called villages) on matters of marriages, land, family disputes, and other ceremonial functions like funerals and passage ceremonies. For purposes of this study, Michembo



with its seven sub- villages is considered a singular unit of study but is referred to as Kumala in line with popular usage in the area.

Being Chewa, the people of Kumala practice matrilineal and matrilineal marriage where kinship and inheritance is traced through women. In times of old, upon getting married men would go to live with the families of their wives. These days men are likely to bring their wives into their own household. However, according to the census, 30% of husbands indicated that they came to live in the village following their wives.

### **4.3 Livelihoods**

As observed by other researchers in Malawi and elsewhere in Sub-Saharan Africa that diversification is the feature of rural life (Orr & Mwale 2001, Peters 1997, Bryceson 1997), the people of Kumala practice a range of both on and off-farm livelihood activities differentiated by gender and socioeconomic status. The wealthiest households have the most diversified livelihood activities, the most important of which is tobacco farming. All wealthy households grew tobacco and all of them had contracts with a tobacco company. The wealthiest households also keep larger livestock such as cattle and pigs. While there is no established market for beef, cattle are kept as accumulated assets. Trained oxen are occasionally hired out to neighbors for ploughing and pulling ox carts. Pigs are considered a village bank to be sold when money is needed urgently, although one household in the top sold pork as a business activity. Households in the top wealth category also keep assets like ox-carts and bailing jacks which they hire out. In addition, they have more farm plots; on average households in the top tier work over five farm plots. They may not necessarily own all the plots they work on. There is a vibrant market for rented farm plots in the village such that anyone with money can rent a farm plot and grow crops on it. Plots are rented on a yearly basis or on a multi-year arrangement. Another distinctive feature of the wealthiest segment is that this is the only group that produced surplus maize. Rather than sell it on the market as less wealthy households do, these households use the surplus maize to feed permanent workers and to pay casual laborers.

In the middle socioeconomic tier are households with between two and four farm plots, most likely growing tobacco on contract with a tobacco company but not with

as many assets like ox carts, bailing jacks or big livestock. These households tended to have relatively fewer livelihood activities and they mostly invested time and resources on on-farm activities, and a few were employed as primary school teachers or guards at a nearby mission school or hospital. In the lowest socioeconomic tier are the highly land constrained households. These households lack land and resources to grow enough maize for household consumption, and they actively pursued off-farm activities including petty trading of vegetables and dried fish, and beer brewing. This category also relied on selling labor and extraction of natural resources such as hauling and selling firewood and charcoal in town for a significant proportion of their incomes.

### **On-Farm Livelihood Activities**

On farm-livelihood activities underpin the village economy with rain fed farming as the primary livelihood activity, in addition to *dimba* farming, livestock keeping and raising trees for sale. Farm sizes range from a quarter of an acre to two acres. However, residents may have several plots spread through the surrounding areas. There is a wide diversity of crops with maize, groundnuts, tobacco, soy, sweet potatoes, beans, and cowpeas as the most common crops. Farm production revolves around maize which almost every household grows for consumption and for sale. Maize is intercropped with beans, pigeon peas, cowpeas and other legumes like soy. Two households were an exception to this rule as one grew soy and the other beans as cash crops with the intention of selling in town. Second in popularity is groundnuts which most people grow in addition to maize. Although it is not grown by every household, tobacco remains the most important cash crop in the village as I elaborate below.

*Dimba* farming takes place on *dambos* which are flat lands along rivers which may or may not be flooded. *Dambos* are good for agriculture because they usually have rich fertile soils (Wiyo et al 2015). People in Kumala use *dimbas* to grow vegetables, sweet potatoes, beans and summer maize. Growing *dimba* maize in the summer is quite lucrative. Unlike maize grown in upland fields during the rainy season, green summer maize has a readily available market. Fresh maize is a popular snack in Malawi, commonly sold on street sides either boiled or roasted. Traders come all the way from

Mitundu trading center to Kumala to buy green maize from the *dimbas* for sale at either back in Mitundu or in Lilongwe. My calculations showed that a quarter of an acre of *dimba* maize could produce MK40, 000 (\$86 in 2015). People told me that they use this income for household needs and to buy fertilizer to grow maize in upland gardens in the next growing season. Ironically, the prospects for rain fed maize is not always assured owing to erratic rains. Furthermore, since most households sell their surplus maize to traders right after harvest, they end up creating a glut which depresses prices.

Raising vegetables in the *dimbas* is also a potentially lucrative activity. One of the respondents from the case study households opted to go into vegetables full time after he fell off the tobacco wagon. He grew okra, cabbage, onions and chillies for sell. From 0.3 acre of chillies he made MK400,000 (\$869 in 2015) which is what on average a good tobacco farmer can make from an acre of tobacco.

The people of Kumala are lucky to have access to a diversified ecological system which includes a wetland. If well utilized these wetlands could help them sidestep the problem of seasonality that plagues rural livelihoods of many smallholders in Africa (Ellis 2006). A well developed horticulture in the *dimbas* is one option that could immensely increase incomes, and improve food security, and reduce dependence on tobacco. A study in Ntcheu and Dedza districts in central Malawi found that *dimba* farming contributed as much as 70% of household income (Wiyo and Kasomekera 1994). Even at national level with the droughts, volatile weather and food insecurity that persistently plague the country, *dimba* farming has been suggested as a long-term solution. But as of yet *dimbas* do not feature in any policies for water and irrigation development at national level (Chinsinga 2007). A deliberate government policy would encourage people to put more energy and resources into *dimba* farming as opposed to upland agriculture. The irony is that people in Kumala use *dimbas* to raise resources for upland agriculture which is less productive as compared to *dimba* farming. *Dimbas* are also key for upward mobility in Kumala. Although strictly speaking, land is never sold, most *dimba* owners rent out pieces of land to others if they are unable to work themselves. This allows a lot more people to have access to the *dimba*. Rent arrangements can be made on a yearly basis or for three or more years. The existence of this market for

land enables landless young people to get started on their farming career as for the most part *dimba* farming requires very little resources.

Some residents, especially the older ones have wood plots where they raise trees, mostly eucalyptus species, for sale as poles for building houses and tobacco barns.

Thirty-three households reported having woodlots ranging from a quarter of an acre to one and half acre. This was an initiative of a European Union funded project that brought seedlings and taught the villagers some forest husbandry practices. A half acre with 500 trees each selling at MK100 would give a farmer MK50,000 (\$108.6 in 2015) which is good money in the village; equivalent to what an acre of groundnuts would fetch. The woodlots if well taken care of ensure a steady flow of income on a yearly basis as there is demand for poles in the village and beyond.

### **Off-Farm Livelihood Activities**

All households have members engaged in off-farm non agricultural activities. These include petty trading (buying and selling of tomato, onions dried fish and groceries etc), produce vending (buying and reselling maize, groundnuts etc), harvesting and selling firewood from the forest and beer brewing.

Produce vending was associated with youthful and energetic men. People carrying out these jobs were not the poorest but they still lacked adequate resources and land to stand on their own. With just a little capital, they buy produce from other villagers and supplement it with their own harvest to sell. The buyers are other traders from town who need bigger quantities. These bigger traders do not have the time to traverse the villages to buy from villagers who probably want to sell small quantities at a time. The young men from the village save them this trouble by acting as middlemen. Although despised by villagers, these “vendors” carry out a vital function by linking the farmers to buyers. They are also very shrewd businessmen; buying and selling several times in the season to recycle their money and sometimes withholding stock when prices go down. In an in- depth interview one produce vendor said he didn’t find farming profitable and that he would rather stick to buying and selling.

Charcoal and firewood selling was associated with the poorest “whose only

valuable asset was the bicycle”. Harvesting and selling firewood and charcoal making are dangerous and back breaking pursuits. They involve going into Dzalanyama, a protected forest reserve in the mountains to cut wood or make charcoal for sale. If they succeed, they have to haul the wood or charcoal back to the village from where they chop it into size bits and arrange it before taking it into town on bicycle to sell. While the government allows villagers to go inside the forest reserve to harvest dried up and dead wood, it does not allow people to fell trees and make charcoal. Due to public outcry about the depletion of the reserve, government stationed an Army unit to guard the forest. Villagers going into the reserve risk being caught and mistreated by soldiers. If they do manage to avoid getting caught in the reserve, carrying their loads into town is another ordeal to go through. In addition to the risk of getting knocked down by vehicles, there are numerous road blocks in town manned by police and forestry officers. The latter are sorely on the lookout for illegal wood and charcoal traders. The line between legal and illegal is hazy such that all people participating in this trade consider themselves at risk because any encounter with police or forestry officers results into their charcoal or wood being confiscated. Addison, one of the respondents I interviewed on the topic related that despite the ordeals they have to go through, it is a profitable venture.

The people of Kumala pursue different livelihood pathways and activities according to their social economic status. Households in the lower socioeconomic categories pursue livelihoods pathways oriented towards off-farm activities, mostly based on natural resource exploitation and petty trading out of necessity. Households and individuals in the top socioeconomic category have diversified livelihood portfolios with both on-farm and off-farm activities as a way to spread risk. However, in Kumala tobacco plays a key role in the livelihoods of all socioeconomic categories whether a house grows it or not. In the next section I discuss the role of tobacco in Kumala community.

#### **4.4 The Place of Tobacco in Kumala Society**

Tobacco is a commodity with implications on the household as well as the community. This section examines the relationships that members of tobacco growing

households enter into and maintain throughout the tobacco growing and marketing cycle. These are the relations that not only make smallholder tobacco production possible, but also make it the successful export crop as Malawians know it. These intra- household relations allow for the mobilization of labor, shape access to resources for production and are avenues for marketing the tobacco leaf. The norms that go with belonging to these household relations also provide guidance for the distribution of proceeds from tobacco sales. The goal of this discussion is to show the centrality of household labor to smallholder tobacco production in Kumala and to illustrate the role of tobacco in the reproduction of the household and the community.

From the village census conducted as part of this study, 34% of the households reported growing tobacco in the 2014/15 growing season. This proportion might seem small for an important cash crop but this needs to be interpreted with caution. To begin with, tobacco is not a crop for the poorest segment of the village population owing to the large amounts of resources in inputs and labor required to grow the crop (Peters 1997, Takane 2008). Precisely because of these two reasons (inputs and labor scarcity) tobacco is also important to the village economy as a redistributive factor. Households that grew tobacco are mostly those with household heads in the mid-stage of their life-cycle. This is easy to understand as this is the group with all the energy and the resources to grow tobacco. This is also the group with ambitions to improve their socioeconomic circumstances and the energy to work for their dreams. In one focus group discussion, participants observed that tobacco growers were typically people with more land than the average resident, had more resources, and were more educated. Observations showed that non-growers were mostly young households who were just starting out, and the elderly (late stage of the life-cycle) who had neither the energy nor the resources to command labor. Further to this, the number of people growing tobacco in a particular season is partly influenced by leaf prices on the market in the previous season. If a grower fetched low prices at the tobacco market, chances are they will not have enough resources to invest in tobacco the next growing season. They would then not grow tobacco that year as they try to build more resources to try again. As such, people fall in and out of tobacco growing depending on availability of resources or access to credit.

Tobacco is important to the social, economic and cultural life of the village for a number of reasons. Firstly, tobacco is a key part of a repertoire of crops and income activities. Households grow tobacco, maize and groundnuts as key crops. Tobacco and groundnuts are cash crops while maize is for household subsistence and where surpluses are made, for paying casual laborers. Farmers usually rotate farm plots because tobacco and maize take a lot of nutrients from the soil. Groundnuts is usually rotated in to restore nitrogen into the soil. Secondly, tobacco is central to the food self-sufficiency of the households. The only (few) households with maize in their granaries were the top tobacco growing households. This is because with rising costs of fertilizer, only successful tobacco growers can afford expensive fertilizers to grow maize. Even for the poor households tobacco is also a bridge to survive the hunger months. The length of the growing season of the tobacco crop ensures that it begins to mature from end of January and March which are considered “hunger months” by the villagers. Poor households that can’t afford adequate fertilizer to grow a decent tobacco crop to sell at the auction floors still grow it to sale to intermediate buyers and “vendors.” Intermediate buyers with only rudimentary knowledge of tobacco quality are known to buy even the worst quality leaf. They roam the villages looking for tobacco during the hunger months and villagers look at this as an opportunity to sell their tobacco and earn quick money to buy food.

Thirdly, tobacco has over the years taken on meanings of what it means to be a successful man because it is the surest route to accumulate assets. Except for the very few that consciously stopped growing tobacco to pursue other interests, growers and non-growers alike were adamant about the centrality of tobacco to their notions of wellbeing. “All these houses you see with bricks and iron sheet roofing? That’s tobacco money. There is no other crop that will bring you that kind of money. You don’t grow tobacco, you are nothing” (Fanwell, October 2014). The villagers claimed that in the past when tobacco farming was still profitable they were able to build decent houses and acquire goods like bicycles, motor bikes and even motor vehicles. Tobacco allowed them to acquire assets such as livestock, oxcarts, and tobacco bailing jacks. Even now when some people realize that tobacco is not as profitable, they grow it as an insurance and savings scheme. “If something were to happen and I needed money urgently, I can borrow money



from local money lenders on the strength of a tobacco crop. All they need is to see that you have a tobacco stand and they know you can pay either using the tobacco leaf or with money”(Feston, October 2014). For others, tobacco farming is a savings scheme. “you only do it to save and recycle money”. Such is the importance of tobacco and the meanings associated with it in Kumala.

#### **4.5 Tobacco, Farm Household, and Community in Kumala**

In this section I discuss the household setting at Kumala as the primary social unit for organizing agricultural labor, managing productive resources, organizing consumption, and for biological and social reproduction (Netting 1993). A study of tobacco production at the household level illuminates labor organization processes built upon unequal gendered and generational social relations in the household. It highlights the overt and subtle ways in which the organization of production and marketing of tobacco invests control with household heads to ensure tobacco remains a male dominated crop. Ultimately, it sheds light on processes of reproduction of family life in Kumala. I also focus on the household as an adaptive unit which reflects how changes in the broader social and economic environment influence individual life decisions. Wilk (1997) and, Netting (1993) argue that changes in the form and composition of the household show the flexibility of the household to changes in socioeconomic environment such as political and economic shocks, land constraints and population pressure. Here I discuss the organization of the household to show how smallholder tobacco production is possible but also to suggest a framework for using changes in household form to highlight the impact of an unstable market tobacco market.

#### **Household Composition**

Monogamy is the prevalent form of marriage at Kumala. Chewa villages elsewhere in Lilongwe are noted for polygamous families but in Kumala polygamy is extremely rare. From the census, out of 137 households only 3 reported being polygamous - a man having two wives. Even where a polygamous union was recorded, the other spouse lived in a different village. Households are commonly composed of a



couple, their children and sometimes, nephews and nieces. In some cases a widowed parent and workers are also part of the household. Newly married children are expected to live within their parents' household for at least one to two years and put in their share in farm production work but they usually maintain their own house where they cook their meals separately. In cases where more than one married child stay near their parents, an extended household is formed composed of semi-autonomous and cooperative households. In such cases the family may work together on the parents' farm plots in addition to having individual plots and other non-farm enterprises.

The household is the primary unit for organizing labor as part of members' obligations to the household. To demonstrate belonging to a household, a member is obliged to participate in labor activities such as farm work, building maize granaries, building and maintaining tobacco barns, participating in community work on behalf of the household. For women household duties include cleaning house, cooking, and farm work. Tobacco production among smallholders at Kumala is primarily dependent on family labor. A household head, his wife and children all work in the tobacco fields. This applies even for married sons living in the household. Upon getting married the son moves out of his father's house. This is called "*kupatula nkhal*"-"separating the cooking pots". This means the son and his wife move out to separate quarters and a separate kitchen. They have some autonomy but not completely independent of the head of the household. Depending on the availability of resources and the relationship between father and son, the father may give the son a farm plot and capital. After one year the son delinks from the household. More often than not, the head of the household prefers to keep the newly married son in his fold for two to three years to take advantage of their labor. The head of the household (usually the man) takes charge of key productive activities. As the one with access to input loans and marketing services providers, he makes decisions on how much land will be allocated to tobacco and the other crops in a particular year. Such decisions are made on the basis of practical considerations such as the availability of labor as well as a crop rotation cycle of maize, groundnuts (or any other legume) and tobacco.

In return for labor the household has obligations to its members. Members of

the household are entitled to having their welfare taken care of including provisions of food, education etc. Every member of the household expects a share from proceeds from collective labor, especially proceeds from tobacco sales. Tobacco being a family crop has many claims staked on it as the entire household can claim to have participated in the production. Once the tobacco is finally sold, the male household head controls the earnings but is expected to distribute a share to his wife, and his married children. As such tobacco sales season is very much anticipated in the household so much so that there is pressure to keep growing - resources allowing.

Households are also expected to transmit property to younger members and facilitate the establishment of new households. Married sons accept to live and work in their parents' fields with expectations of an inheritance of land, and provisions of money and inputs that will enable them to set up their own farmstead. This expectation is taken seriously and serious disagreements may result if this expectation is not honored by the household head. The following story illustrates the conflict that may arise when expectations are not met.

William Phiri has nine children- all of them married. The last one, Dennis got married in 2014 and lives with his wife in his father's compound. William has five farm plots which he previously worked with the help of an employee in addition to family labor. When the employee left, all his responsibilities fell on Dennis. From January to March Dennis worked in his father's maize and tobacco fields from 6 am to 5pm, only taking a break at lunch. Balancing tobacco and maize is a tough act. The two crops become labor intensive from January to March requiring no less than two rounds of weeding for each field, two fertilizer applications and the beginning of harvesting of the tobacco leaves. After tobacco leaf is harvested and taken to the family compound, an intensive work process begins to tie the leaves together in a bunch. The bunches are then hung out in a curing barn to dry. Dennis did all this work diligently for his father, hoping that at the end of the season he would get enough money to support his family, and at least buy farm inputs for himself for the next season. When the tobacco went for sale and charges for input loans, transport and other levies had been deducted, the profit came up to MK300,000 (\$600). His father gave him MK20, 000 (\$40). For being a son

and a member of the household, and for being a newly married man who needs resources to set himself up in farming, he felt the money was too little. He expressed his frustration to friends and he was reportedly making arrangements to move to his wife's village.

The story illustrates the generational relations at play and the types of conflict that may arise if sons find living arrangements to no longer be satisfactory. Dennis believed that his father withheld harvest income in order to keep him at home; without sufficient income Dennis, and indeed other young men, cannot establish independent farmsteads. It also illustrates the expectations that members of a household have in terms of assistance with the reproduction of new households. These expectations are more intense where tobacco farming is involved. Dennis' disenchantment was in no small measure because his father was growing tobacco and he wanted to do the same. If he only wanted to grow groundnuts or soy he would not have as high expectations.

#### **4.6 Tobacco and Gender Relations in the Household**

Tobacco highlights the power inequalities in the household illustrated by the division of labor over control of crops as well as control of proceeds from exchange. Male heads of households admitted to taking control of key crops such as tobacco, maize and Soy. Tobacco is decidedly a man's crop. Female headed households and those households where the man is temporarily away refrain from growing tobacco, choosing to concentrate on food crops instead. Asked why they don't venture into tobacco, heads of female headed households (FHHs) cited lack of adequate labor as the main reason. Within the household tobacco becomes the man's crop because of institutional practices and discourses that favor adult men while minimizing the contributions of women and young people. The two key factors that limit women's full participation in tobacco production within households are access to land and access to tobacco institutions.

#### **Tobacco and Access to Land**

The people of Kumala have well defined customary land tenure system where the rights to land are invested in the most senior member of the household, who in turn allocates the land to family members. Transfer of land is through inheritance, often when

a child gets married. Both male and female children receive land from their parents. The control of land allows the household head to acquire registration numbers and a quota from the Tobacco Control Commission which allows the grower to produce a specific amount of tobacco. The registration number also allows growers access to the tobacco market. Husbands who marry into the village have land use rights to their wife's land but they cannot dispose of it. As such, even they can use farm plots belonging to their wives to obtain a registration number. The registration number is an important asset for any tobacco grower. It is the key that allows one to transact in the tobacco business and those growers with a clean and valid registration number often use it to transact on behalf of those without. In this way it can be used to control other people's labor.

### **Access to Institutions**

Tobacco has also turned out to be a male dominated crop through restricted access to tobacco institutions which favor men. The burley club is a key institution at village level through which most smallholder tobacco growers access input loans, extension services, transportation services and other marketing logistics. Membership to the burley clubs at Kumala was exclusively male. There were no women on the membership lists of the two clubs in the village. In his study on tobacco livelihoods after the liberalization of burley, Orr (2000) found that in his sample only 12% of club members were women. Club members told me they knew of instances in other clubs with female membership but these were isolated cases. Self-selection plays a key part in driving away female membership. As an example, financial institutions and leaf companies make loans for tobacco production through clubs. Although each club member gets their share of the inputs, in the books of the lenders the loans are made to the group- an arrangement known as several liability in the lending industry. In the event of a member failing to pay their portion of the loan, the club is required to step in to pay the defaulter's loan. This gives the incentive for club members to select only people they perceive as reliable and capable growers to ensure that nobody defaults (see also Takane 2008). General lack of resources and domestic duties prevent women from giving as much care to tobacco as men can which excludes them from consideration for club membership. As a result, women tend to focus

more on low resource intense crops such as beans and groundnuts. Of these, groundnuts is the most popular cash crop after tobacco. Women handle the processing and marketing of groundnuts and control the earnings. The status of groundnuts is fluid depending on the fortunes of the household in tobacco. Key informants related that groundnuts used to be entirely a woman's crop before 2005. After a series of tobacco price crises, men who fared badly at tobacco markets began to take an interest in groundnuts as a fall back crop. When the household has fallen off the tobacco bandwagon, they switch all their attention to groundnuts as a cash crop to rebuild cash reserves. In this case the head of the household takes full control of the crop.

#### **4.7 Linking Labor, Production, and the Household**

This discussion has shown how tobacco is dependent on unpaid family labor and how household organization makes smallholder tobacco production possible. It also illuminates the household as a site of exploitation. Through control of resources such as land and the tobacco registration number that gives him access to the industry, a male head of household has access to institutions, the financial resources and marketing services. Through these he can lay claim to household labor, control production and marketing of tobacco and thus the economic fortunes of the household. The other household members provide labor and cede the marketing to the head of the household and hope for the best. Experience has shown that not all heads of households are benign. When the tobacco is sold the seller sheet with information on how much tobacco was sold and at what price is sent to the owner of the registration number. In informal conversations, some wives in tobacco growing households related that they never get to see their husbands' sellers sheet. In my own study I tried to verify incomes of growers in my case study group by looking at the sellers sheets. People would often say they misplaced it or it was with a friend who lives in the next village. This lack of transparency paves the way for exploitation and deepening of existing gender inequalities. The household is dynamic where members move in and out to pursue individual interests. It is a place where obligations and rights need to be carefully balanced otherwise disaffected members end up leaving. Beyond the household tobacco

has a critical role in the social reproduction of the community through processes of labor exchange which is key for upward mobility for young people. Tobacco is also facilitating the emergence of a local entrepreneurial class that is interested in buying and reselling tobacco leaf for profit

#### **4.8 Tobacco and Community: Mobilization of Labor Beyond the Household**

Beyond the household, production of tobacco also has implications for the community. In this discussion I describe the role of tobacco in reproducing the community through labor exchange. As the key cash crop that brings money into the village, tobacco facilitates labor exchange processes. This impacts the community in two profound ways. Firstly, mobilization of labor in the community provides the means for coping with unfavorable livelihood outcomes for poorer people. Secondly, labor exchange facilitates the regeneration of the community by allowing young people to build assets and set up their own households.

Tobacco is a labor intensive crop and a lot of that labor is required at the beginning of August when land preparation in the gardens and tobacco nurseries begins. Critical and time specific tasks such as transplanting, fertilizer application, weeding and leaf picking all require significant amounts of labor. The need for labor is more acute from December up to February when these farm activities also coincide with similar activities in maize. At peak times of the growing season when labor demand is at its highest, family and hired labor work together from early in the morning up until around 12 noon when the family may go home for lunch and rest. Hired labor is expected to continue working up until late early afternoon when family labor comes again to join in. At these peak times work goes on up until in the evening all week, come hail or rain. Labor arrangements come in three forms; seasonal fixed wage contract, casual labor, and the tenancy. Tenancy has already been discussed in chapter 2. Here I discuss fixed wage contract and casual labor.

Fixed wage contract also comes in two forms; monthly wage contracts and seasonal contracts. The monthly contract is where the farmer and the worker agree on a monthly wage. The seasonal contract is where the worker is paid a pre-agreed lump

sum at the end of the tobacco growing season. Typically a worker on a monthly wage contract gets MK2000 (\$2.74) per month. The seasonal contract is the most prevalent form of labor arrangement in Kumala. Relatively well established growers choose to hire kin for seasonal contracts; mostly nephews or distant relatives. There could be altruistic reasons as these wealthier farmers may want to reinforce or create ties with kin (Englund 1999). But they may also hire kin because relatives are not likely to make trouble if they are paid a lower rate than agreed. In some cases rather than hire labor from among kin, a grower with access to resources may advance inputs to close relations so they can grow the tobacco on their own plots. Upon harvest, the owner of the resources gets his share of tobacco leaf leaving the rest to the sub-contracted grower to sell. This arrangement puts relatives to work but it also helps them get established with their farming. Those who can afford it may hire non-relations or people from outside the area altogether to be sure they will concentrate on their work, but strangers easily become disagreeable if contractual obligations are not met. This seasonal labor arrangement is now common among tobacco growers as the tenancy system has waned in the area. With the history of exploitative practices under the tenancy system, many laborers have become assertive on matters related to wages and demand that they be paid a fixed mutually agreed amount. Furthermore, workers prefer this arrangement as they don't want to take on the risk of production together with the farmer in case tobacco sales don't go well that year. Depending on age and experience, a laborer could expect to be paid wages in the range of MK20,000 to 30,000 (\$43-65 at \$=460, 2015 exchange rate) for a season's worth of labor.

Casual labor, locally known as *ganyu*, is a very important fixture of the village economy in Kumala. The term *ganyu* covers a broad range of labor activities, but in rural livelihoods literature it mostly refers to short term agricultural related piecework where payment is through cash or food (Kerr 2005, Whiteside 2000). The tasks include land preparation, weeding, harvesting, making and tending to tobacco nurseries among others. Having said that, any short-term work done by semi-skilled artisans like brick layers is also referred to as *ganyu*. Land and resource constrained households consistently indicated that they rely on finding work as casual laborers, alongside selling firewood and charcoal, as a significant source of livelihood. At the peak of the growing season, which

also happens to be the peak of the hunger season, resource poor households rely on *ganyu* to earn money to buy food. In some cases households that own land but had suffered a livelihood crisis were also found in the category of people performing *ganyu* work. In a group interview on the history of livelihood crises in the village, respondents related that in 2004 when Bakili Muluzi was President of Malawi, tobacco prices were particularly bad and most tobacco growers lost money such that they could not raise funds to start farming again. Some of these households fell into the category of *ganyu* laborers. These households combined *ganyu* with other extractive activities such as selling firewood and charcoal.

Labor exchange (both *ganyu* or seasonal contract labor) is an important piece of the puzzle in the process of coming into being for a young man. Young people with no land or capital rely on *ganyu* labor to accumulate savings with the view of using those savings to acquire farm plots and inputs. GC, a young man from one of my case study households started doing *ganyu* in the *dimbas* of other wealthier people while he was still in school. He worked *dimbas* for a year and the next year he rented a *dimba* of his own and started growing vegetables. At present he works on two farm plots in addition to the *dimba* he bought. Another respondent AC, a young man of 24 years was given one acre by his parents and another acre came from his wife's parents. But he did not have the resources to buy fertilizer and to pay for extra help. He engaged in several activities including working in other people's gardens. When I met him for the second round of interviews, he had just harvested his maize and groundnuts from the previous season and he was preparing to go into tobacco. He used his earnings from *ganyu* and other activities to buy fertilizer and inputs so he could start farming on his own. Other respondents recounted similar stories of how they started on a low note, some despite having wealthy relatives. Thus *ganyu* is a very important activity in the process of establishing oneself in Kumala. Without the option of *ganyu*, many young people would find it difficult to establish their own households. Because most crops are grown for subsistence tobacco is the key crop that brings money into the village and keeps it circulating. It is tobacco that is the backbone of labor exchange in the village.



#### **4.9 Tobacco and Local Exchange: Intermediate Traders and Money Lenders**

Tobacco is also important in places like Kumala because it has facilitated the rise of an entrepreneurial cadre that sees its future away from the production aspect of the crop and more into the exchange part of it. In a seasonal village economy with distinct periods of scarcity and plenty, people need injections of cash to help them through the lean periods. The intermediate tobacco trader - the vendor is a much vilified and yet indispensable figure in the local village economy. Though vilified for their exploitative tendencies, vendors and money lenders play a critical role to sustain the village economy by providing cash for consumption and investment.

The Intermediate Tobacco Buyer (IB) scheme introduced by Government upon the liberalization of the tobacco industry in the early 90s, issued licenses and quotas to business persons to buy tobacco from farmers, and sell it at the auction floors (Koester et al 2004). The scheme was suspended in 2000 following complaints from the industry of poor quality tobacco coming from IBs and the poor prices paid to growers by the vendors. The ban did nothing to kill the system as it continues unofficially. Only this time, an individual (usually a business person) obtains an estate tobacco grower's license, but instead of growing the crop, they simply buy it from other farmers and sell it on auction market. At the time when tobacco is ripening (from January to March) an assortment of itinerant traders armed with weighing scales and cash supplied by their town based bosses go through the villages buying tobacco from the farmers. This period also happens to be the peak of the hunger season when many farmers need food and cash. The tobacco vendor then becomes a savior for cash strapped and food deficit households looking for quick cash to buy food. Farmers always complain of poor prices and vendors' use of unapproved weighing scales; more often than not tampered with so that they show lower weights. Government and tobacco leaf companies discourage the practice and often mount campaigns to arrest the vendors. Despite the harassment, vendors fill a gap that neither government nor tobacco companies are willing to fill by providing cash to farmers at a time when they need it most. With rampant inefficiencies in the tobacco marketing chain it can take several weeks for a farmer to get his tobacco to the auction floors, to get it sold and eventually access his money. This is the reason cited by farmers who sell their

tobacco to vendors so as to get cash for immediate household needs.

There are signs of attempts by some growers to move up the value chain by specializing in trading of tobacco and leave production all together. These are usually young people with limited land holdings and a small capital base. In interviews they intimated that they think tobacco growing is hard work and that it doesn't pay well enough, that is why they opt to buy and sell. In addition to tobacco, they may also buy and sell groundnuts and Soy. As they grow their capital base, these young entrepreneurs also go into money lending. In an interview, George who has not grown tobacco in his entire farming career repeatedly said that he did not consider tobacco growing a viable venture. He would rather lend out money on interest, which is usually as high as 50%. In addition to this, these money entrepreneurs also advance money to farmers who are unable to secure loans either from financial institutions or tobacco leaf companies. Usually the agreement is for the grower to pay back in form of a specified amount of tobacco. For example, in 2013 a desperate farmer got MK4000 (then equivalent to \$11) from my research assistant. The agreement was that he would pay back 40kg of tobacco. A staggering amount when you consider that in that year the average price for burley tobacco was \$2/kg. For borrowing \$11 he had to pay back \$80. Money may either be advanced at the beginning of the growing season or in January and February when the crop is about ready for the market - the same time when most farm households ran out of cash and food. The money and input lending business is so lucrative that it has become an established route for village entrepreneurs seeking to diversify their business portfolios away from farming. Feston, one of the farmers in my sample of case study households who in his own words had a profitable season in 2015, expressed his desire to go into the business of lending out inputs. For the 2016 growing season he planned to get inputs from the company he is contracted with and advance them to other farmers so he can get tobacco in return. The money and input lending phenomenon has become part of the exchange processes, in village life as well as part of an intricate web of relations around which tobacco production and marketing occurs.

#### **4.10 Conclusion**

In this chapter I introduced Lilongwe the capital, and the commercial and management center of the tobacco industry in Malawi, and Kumala the village where the generation of value in the tobacco value chain begins. I set these two places in relation to each other to show the spatial separation as a metaphor for other contradictions.

Lilongwe demonstrates the dualism in the tobacco industry. Physical barriers, language and bureaucratic procedures separate industry managers, bureaucrats and regulators from the grower. This separation also coincides with concentration of tobacco wealth and power within the commercial center which continues to flourish with new investments, as opposed to peripheral places like Kumala where farm families and their communities who toil to produce the crop make do in precarious livelihoods. The chapter also illustrates how producing villages like Kumala are part of global commodity flows, through connections to other producing places, global centers of the industry, and the places where tobacco products are consumed. These connections illustrate how the fortunes of growers at Kumala are tied to those of growers elsewhere. For example, the fortunes of Malawi's burley tobacco are affected by production in far flung places like Argentina and Brazil. Instances of overproduction in these places affects prices of Burley produced in Malawi. This has implications not only for national revenue accounts in Malawi, but also on the livelihoods of people in Malawi, both tobacco growers and those who do not grow it. Furthermore, Kumala is connected to the outside world through consumption. Burley tobacco produced at Kumala is made into cigarettes, a commodity consumed by millions of people globally. The value of labor of smallholders at Kumala is embedded in a product that has lifestyle, as well as public health implications on a global scale.

The chapter also introduced the people of Kumala. Besides the label of "growers" as they are known in industry and government, these are people with aspirations about their lives, and think of tobacco as a means to those aspirations, be they material and financial success, or recognition and respect among their peers. The people of Kumala have adopted and integrated tobacco into their social and cultural lives through gendered and generational labor relations that make the production of tobacco possible. Depending on personal ambition, and one's place in household labor relations, different people will

understand and interpret the on-going tobacco market instability and declining income in different ways. The chapter further highlighted the community dimensions of tobacco production through the role of labor exchange, and market exchange processes that make tobacco the key commodity even in the village economy. These are nuances and dynamics that need to be appreciated in order to understand locals' perceptions of an unstable market, as well as for understanding changes brought about by the liberalization of agriculture and the restructuring of the global tobacco industry.

## **Chapter Five: Institutional Context of Tobacco Production and Marketing in Malawi**

### **5.0 Introduction**

This chapter foregrounds discussion on how institutions and the institutional setting mediate access to livelihood options, but also how they shape the perceptions to risk among smallholder growers. It builds on the discussion in chapter two on the political economy of agriculture in Malawi where I described the role of a predatory state and the mechanisms it used to regulate and extract surplus from smallholders. I further described the policies and events that structure the relations between the state and smallholders up until this day. In this chapter I expand on that discussion by recognizing that in the colonial and post-colonial era, besides the state, there were many interests in the production and supply of cash crops including the industries that needed raw materials, the large trading firms that organized for the collection and export of these crops, and the big plantation or estate owners. The industrial interests and trading interests working in concert with the state regulated what was grown, what quality, the marketing arrangements, and the price they were willing to pay for it (Banaji 2016, Bernstein 1977). This chapter will show that while the aims of the state and the industrial interests are still aligned, the industrial interests are now more powerful than the state and they are fully in the driving seat. I also show that rather than being just a game played by external interests, extraction of surplus through commodity marketing has attracted local elites who have become important, albeit subordinate players.

In this chapter I also discuss the institutional apparatus and the various actors driving tobacco production and marketing in contemporary Malawi. Tobacco remains the backbone of the economy and it is still tied to dynamics around state building as well as relations between political and business elites on one hand, and smallholder growers on the other. As a crop at the heart of the state building enterprise, tobacco has an extensive institutional apparatus around it including government owned regulatory, research and training institutions, marketing institutions, leaf companies, growers' associations, input suppliers and transporters among others. In various ways these institutions have propelled

tobacco to become Malawi's number one export commodity. On the other hand, they have also facilitated the extraction of surplus from smallholder growers to actors higher up in the value chain.

Adopting the commodity systems approach (Stone et al 2000, Prowse 2011), I discuss the macro-level organization of the tobacco industry to show how production is organized, how inputs are channeled and the tobacco leaf marketed. I also discuss power relations in the industry. Which institutions produce signals that matter most in the industry? How is policy shaped and how do key players interpret policy interventions? I discuss these questions to lay the foundation for a discussion on how the activities of key players in the institutional framework shape the smallholder grower's perception about the future of the industry. I argue that the tobacco institutional framework that is responsible for issuing growers' quotas, facilitating access to inputs and the market, as well as managing the marketing process itself, is riddled with mismanagement, inefficiencies, contradictions, corruption, and a lack of transparency particularly towards growers. I also argue that the place of tobacco in the Malawian economy has made it a political crop establishing it as a tool for patronage politics and legitimization for extraction of surplus, even as the system victimizes growers. I further argue that for all its inefficiencies, the apparatus around tobacco is kept in place because of the various rents in terms of levies and other fees which various institutions collect from growers via a centralized system. As a result, growers experience the industry as one that's rigged against them. Consequently, growers' focus on the industry's imbalance precludes them from seeing the current market crisis as a major shift in the global tobacco system itself.

## **5.1 State Institutions**

### **Ministry of Agriculture**

The Ministry of Agriculture is a key institution in the running of the tobacco industry in Malawi. With regards to tobacco, the mandate of the Ministry is to provide policy and strategic direction for the development of the tobacco sector in Malawi. The Ministry regulates all production and marketing activities of all actors in the industry

such as associations, graders, transporters, financial institutions, and tobacco leaf companies. The stated objective of the Ministry is to ensure that the farmer benefits the most from tobacco production in Malawi, and to achieve this, the Ministry has set policies, the most notable of which is the setting of minimum prices which leaf buyers can pay growers for specific grades of tobacco (these are published every year before the commencement of the tobacco market).<sup>14</sup> The Ministry has a regulatory organ, the Tobacco Control Commission (TCC), as well as a research and extension arm, the Agricultural Research and Extension Trust (ARET) and Mwimba Tobacco Research Institute, which trains farmers and technicians specifically for the tobacco sector. In addition, it oversees other state owned institutions that are key actors in the tobacco market including the grain marketer, ADMARC which in turn has significant shareholding in Auction Holdings Ltd, the company that runs the tobacco auction.

Measured by its key objective of ensuring that tobacco growers benefit the most, the Ministry is having a hard time fulfilling its mandate as evidenced by declining farmers' incomes and the chaos that characterize the industry. According to the Ministry, the challenges can be attributed to the liberalization of production in the early 90s that allowed smallholder farmers to grow burley tobacco which was previously restricted to estates. Liberalization made it difficult for the Ministry to control production and enforce quality standards leading to over-production and declining quality of tobacco, and ultimately, declining prices. As a mitigating measure, the Ministry through the Tobacco Control Commission plans to implement a new biometric registration system to enforce quotas and hopefully prevent overproduction.

As a key institution in the tobacco sector, any actions or policy directives from the Ministry are keenly observed by both the industry and by Malawians at large. The Ministry has remained coy about the future of tobacco, blaming the current instability and low prices on production side factors, such as overproduction and growers lack of attention to quality. However, in closed quarters such as industry conferences, ministry officials have assured the tobacco industry of their support in the face of the global anti- tobacco movement. Ministers and top officials have declared that tobacco is a

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<sup>14</sup> Ministry of Agriculture Interview

strategic crop to Malawi and therefore Malawi will keep growing it (Tobacco Reporter 11/3/2016)<sup>15</sup>. While assuring Malawians that tobacco has a bright future, ministry officials have suppressed grower dissent against the tobacco industry. While visiting tobacco farms in the company of industry executives, a former Minister of Agriculture downplayed farmers pronouncements against the newly introduced Integrated Production System (IPS) which farmers felt was another way for the industry to rip farmers off (Nyasa Times, 27th January 2016)<sup>16</sup>. The Ministry's downplaying of the crisis in the tobacco industry shapes the perception about the future of the industry among growers. In an interview on the interpretation of fluctuating prices and declining incomes in the tobacco industry, a respondent observed that if the government is not panicking, then there is nothing to worry about. As an institution, the Ministry's major signal to the farmer has been silence. The Ministry oversees agricultural extension programs towards smallholder farmers in the country. Over the years government extension agents have become less and less involved with tobacco, leaving that space to private extension agents from leaf companies. This means that at the farm level, everything growers hear related to tobacco comes from extension agents employed by tobacco firms. It follows that other than the industry's perception on the future of tobacco, growers have limited access to alternative views.

### **Other Government Ministries**

Other key institutional players include the Ministries of Trade and Industry, and Ministry of Finance and Economic Development Planning (MFEDP).

The Ministry of Finance attaches paramount importance to the foreign exchange generated through tobacco leaf sales as well as the revenues on taxation of tobacco products. The country is going through tough economic times following the withdrawal of foreign budgetary assistance. The Ministry of Finance must make sure they get every dime to support a national budget based on internally generated resources. In industry meetings representatives from the Ministry spoke against upsetting the industry because

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<sup>15</sup> <http://www.tobaccoreporter.com/2016/11/malawi-sticking-with-leaf-production/>

<sup>16</sup> <http://www.nyasatimes.com/ips-enslaving-malawi-tobacco-farmers-to-poverty/>



that would result in dire consequences for the economy.

The Ministry of Trade has increasing exports as its number one goal and it looks at tobacco as the key export. Ministry officials have lobbied on behalf of the tobacco industry in international trade forums. At an industry meeting in 2014, delegates discussed how new regulations on tobacco ingredients enacted by the European Union (EU) would affect Malawi's burley tobacco. A resolution was made to lobby the EU to ease regulations to save the market for Malawian burley. The Ministry of Trade was tasked to draft a position paper to highlight Malawi's position on the matter.

Except for the Ministry of Health which is concerned with increasing rates of non-communicable diseases, these powerful ministries and other government institutions have allied themselves with the tobacco industry. In addition to these key ministries, the whole government machinery is at the disposal of the tobacco industry. Presidents have in the past made it a point to preside over the opening of tobacco markets and various officials grace industry organized conferences. This despite the obvious transgressions of an industry which has shown that they are not ready to play by the rules (see Chapter 6) and without regard to the consequences of their actions on the economy and the livelihoods of smallholder farmers.

### **Politicians, Politics, and Tobacco**

In Malawi tobacco has always been close to politics and politicians. In post independent Malawi the political elites and senior civil servants benefited from policies of alienation of customary land to acquire estates for tobacco. State owned financial institutions provided favorable concessionary loans to boost tobacco production. Tobacco was and is still an important tool for patronage to keep dependents on the leash (Geist et al 2008; Van Donge 2002). In contemporary politics, past press reports alleged that leaf companies strive to align themselves with political parties by offering senior party figures lucrative contracts and buying their tobacco at good prices. This is seen as a way of preventing politicians from taking decisive action against industry malpractices.

## **The State and Donors**

Tobacco production happens in the space of relations between donors and the government of Malawi. The key donors include the World Bank (WB), International Monetary Fund (IMF), USAID, the UK's Department for International Development (DFID) and IrishAid which are very active in the agricultural sector. The Malawi Growth and Development Strategy II (MGDS II) on which donors base their support to Malawi calls for increased exports to meet Malawi's balance of payment needs and to fuel economic growth. Having supported the liberalization of the industry, donors have refrained from providing support to tobacco or getting involved with discourse and any goings on with the industry (Van Donge 2002). Rather, they have supported farm income diversification initiatives such as the EU's Farm Income Diversification Program (FIDP) and the IFAD funded Rural Livelihoods Economic Enhancement Program (RLEEP). These programs are not crafted in explicit terms as interventions to end Malawi's dependency on tobacco but it is an unspoken goal among program managers. Donors hold considerable influence in the Malawian economy having at one point contributed 40% of the development budget and they continue to provide technical support in areas of capacity building and human development. Over recent years it has become clear that donors have ceded policy space regarding tobacco (Prowse and Moyer-Lee 2013). One can surmise that donors have done this quietly because of tobacco's status as a pariah crop but also for fear of challenging the powerful tobacco industry.

## **Tobacco Control Commission**

Set up by an Act of Parliament (Control of Auction Floors Act Cap 65:03), the Tobacco Control Commission is the most important regulatory institution in the tobacco industry in Malawi. As an institution mandated to regulate the production, manufacture and marketing of tobacco, the commission advises the government on the sale and export of tobacco. Its powers span across the entire spectrum of players in the industry, from grower, transporter, buyer to exporter. Among its key functions are to register and license tobacco growers and sellers, to define tobacco grades and classes for the purposes of selling and buying, and control and regulate the sale of tobacco in Malawi. The

Commission is also mandated to carry out market research and disseminate information relating to tobacco.

The Commission has a critical role to play to balance the volume of production and quality of tobacco in Malawi. In recent years the tobacco industry has suffered from fluctuating and declining prices leaf merchants offer to farmers for their tobacco, which industry players have attributed to over- production and declining quality of the tobacco leaf in Malawi. The Commission has been powerless to reverse the trend. As a licensing agency, TCC offers quotas to farmers - both estate and smallholder growers. The registration and licensing process of burley clubs illustrates the experiences of growers with the TCC. To register as a club, a group comprising at least 10 - 30 members must get a letter from an Agriculture Extension Development Officer (AEDO) and three elected officials; Chairperson, Secretary and Treasurer must make their way to the registration offices set up by the Tobacco Control Commission (TCC) where they fill out forms and get registered after paying a fee for their desired quota. For a quota of up to 3000kgs clubs pay Mk10, 000 (\$20). Registration is an arduous process fraught with inefficiencies that inevitably breed corrupt practices. Starting with getting the letter from the local agricultural office, travelling to the regional registration office and interacting with the registration staff in the computer room, the process is daunting for a village farmer. A woman farmer related that she spent three days at the registration office languishing in the corridors crowded with other desperate farmers from all over the region trying to get her club registered. All the while the registration staff kept telling them that the 'network' was down so they couldn't register anyone. On the third day one of the staff from the computer room whispered in her ear, "Are you dumb? You have the 'network' in your pocket." She gave him some money and promptly got her registration certificate.

Another critical function of TCC is to license companies that seek to buy tobacco leaf from Malawi. In 2015 there were eight leaf companies operating in Malawi. To be registered a company must among other things, demonstrate ability to purchase at least 500,000 kgs of green weight and that sufficient funds in US dollars for purchasing

tobacco can be raised.<sup>17</sup> In addition the company must own or have access to processing facilities, and have the ability to employ sufficiently trained staff to man the auction floors. A prospective buyer further undertakes to abide by government conditions such as minimum prices of specific grades of tobacco included in the Memorandum of Understanding signed with government. In recent years buyers have blatantly ignored prescribed minimum prices without incurring any punishment from TCC.

## **5.2 Private Operators in the Tobacco Industry**

### **Tobacco Leaf Merchants**

These are the most important players on the commercial side of tobacco, owing to their massive financial muscle. I use the term leaf merchants to refer to government registered business establishments that buy Malawi's tobacco for export and domestic use. This is to differentiate them from tobacco companies, the global tobacco transnational corporations (TNCs) that actually process tobacco into the final product and sell it to the consumer. Leaf merchants operating in Malawi (except JTI which makes its own cigarettes) sell their semi-processed tobacco to these giant TNCs such as Phillip Morris and BAT.

Of the leaf companies operating in Malawi (see Table 5.1 for the list of leaf companies operating in Malawi), Limbe Leaf Tobacco Company, owned by Universal Corporation USA (58%) and Press Corporation from Malawi (42%) is the most influential. It purchases 51% of Malawi's tobacco and sells mostly to Phillip Morris. Alliance One International, a subsidiary of the Virginia based conglomerate with operations in 35 countries is the second most influential player on the Malawian market. Alliance One mostly sell their tobacco to BAT. Japan Tobacco International (JTI) is a relatively new comer on the Malawian market having acquired a smaller company and making substantial investments. JTI which identifies itself as a tobacco company with operations in 70 countries is the only cigarette maker (Mevis, Winston and Camel brands) buying leaf in Malawi (2015). In addition, JTI also has pharmaceutical and

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<sup>17</sup> <http://www.tcccmw.com/registration.php>

processed food businesses which, the company says, are expected to establish a foundation for future profits. Previous estimates before the entry of JTI, show that Alliance One used to purchase 40% of Malawian tobacco leaf. It is unclear how the ratios have changed with the coming of JTI to join the two established players. Malawi Leaf Ltd and Premium Tama Tobacco Company are the two wholly Malawian owned companies created in the mid 2000s to enhance competition among growers. RJ Wallace, African Tobacco Services and Vision Tobacco are the other players with the latter two being new entrants.

As group, but more especially the three large operators, these leaf companies are a formidable economic and political force. They tout their contributions to the economy of Malawi and use this as a leeway to firmly exert their weight in domestic politics. They have further ingrained themselves in the lives of Malawians as good citizens through corporate-social responsibility projects including drilling boreholes, building clinics and school blocks. Furthermore, they have created front organizations for initiatives such as eliminating child labor in agriculture. Some authors have argued that these efforts are nothing more than a smoke screen to mask the companies' role in impoverishing the very same people they purport to help (Otanez et al 2006).

Table 5.1: Leaf Companies Operating in Malawi

<b>Leaf Companies Operating in Malawi</b>		
<b>#</b>	<b>Company</b>	<b>Description</b>
1	Limbe Leaf Tobacco	Jointly owned by Universal Leaf USA (52%) and Press Corporation of Malawi (48%). It is the most influential leaf company on the Malawian market.
2	Alliance One Ltd	Part of Alliance One International based in Virginia, USA. It was formed following the merger of Stancom Ltd and Dimon Ltd in 2005. Both Stancom and Dimon had operations in Malawi.
3	Japan Tobacco International (JTI)	They came on the Malawian market in 2009 when they bought African Leaf Ltd. They invested \$435 million in leaf purchase, storage, and processing.
4	Malawi Leaf Ltd	A wholly Malawian owned leaf company. It was formed in 2006 to promote competition on the tobacco market dominated by foreign companies. It is 100% owned by Auction Holdings Ltd.
5	Premium TAMA Ltd	Another Malawian company, a joint venture by the Premium Tobacco Group and TAMA (8%).
6	RJ Wallace	Quite small, but it is one of the oldest leaf companies on the Malawian market.
7	Africa Tobacco Services	A South African company and a new entrant on the Malawian market having arrived in 2015. ATS specializes in Burley.
8	Vision Tobacco	A Chinese company, also a new entrant on the Malawian market. They started purchasing Malawian leaf in 2015.

Source: Author's Field Notes

### **Transnational Tobacco Companies**

Although transnational tobacco conglomerates such as BAT and Philip Morris do not have physical presence in Malawi they are key buyers from Malawi based leaf companies, and they exercise control by dictating the quantities and quality of tobacco and how much they are willing to pay for it. By dictating prices irrespective of demand and supply these foreign tobacco companies foster anti-competitive behavior which results into growers getting paid low prices.

The transnational tobacco companies pushed leaf merchants to press government for the operationalization of the Integrated Production System (IPS) purportedly to ensure that the tobacco industry is responsive to concerns about the environment, labor practices and food insecurity. Company officials from BAT and Phillip Morris visit regularly and they influence activities. Otanez et al (2006) have detailed the efforts of BAT to pay for corporate social responsibility projects such as eliminating child labor in an effort to comply with industry standards. These industry standards provide a regulating context in which tobacco is grown in Malawi. These major companies through the International Tobacco Growers Association (ITGA) a pro tobacco non-profit have lobbied Malawian government officials to reject the FCTC spearheaded by WHO to control tobacco production and supply globally.

### **Banks/Money Lenders**

Commercial Banks in Malawi offer some, but not significant, credit to the smallholder tobacco subsector. However, they are conduits of farmers' dollar earnings from the auction market. All tobacco growers are required to have bank accounts. Once a farmer's tobacco is bought on auction, AHL the auction company, is mandated to remit that money to farmers accounts within 24 hours. Since banks pay farmers in the local currency, and since the currency fluctuates so much, banks make easy money from the dollar to Kwacha exchange differential. In addition, the Banks acquire valuable foreign exchange to sell to other clients.

## **Input Suppliers**

There are several major suppliers on the Malawian market including Yara (previously Norsk Hydro), Smallholder Farmer Fertilizer Revolving Fund (SFFRM), Farmers World and ADMARC. Small, locally owned agro-dealer shops are also a common sight in many trading centers. Previously, farmers obtained loans from any lender to purchase fertilizer and other inputs from suppliers of their choice. Following apathy towards lending to smallholders by major financial institutions, leaf companies have moved in to provide financing. Now the leaf companies are beginning to monopolize the supply of inputs following the inception of integrated Production System (IPS) in 2012. Through the IPS leaf companies insist that their contracted growers obtain inputs from the tobacco companies themselves. This move towards vertical integration across the production chain is another frontier for profit making for leaf companies. With this arrangement, leaf companies are able to dictate prices to captive contracted growers (see Chapter 6 section on contract farming). In their 2016 Annual Report, Alliance One states that they charge a mark-up higher than their cost on the inputs, which translates into lower cost for procuring the crop (Alliance One 2016).

## **Tobacco Marketing**

The market, where producers and buyers meet, is an important institution in the exchange process. In addition to acquainting growers with indications about demand and quality of products desired by the buyer, the market is also an indicator of power relations among the players (Appadurai 1986). Laborious, inefficient and non responsive market processes restrict access to the tobacco market for many smallholder growers. Vested power interests resulting from potentially anti-competition institutional alliances plus disproportionate power relations between leaf buyers, government and tobacco growers further cloud the market experience for most growers. As a result the tobacco market in Malawi displays a disconnect between growers and the rest of the industry institutions, such that growers don't get real indications about the long term prospects of the crop.



## **Auction Holdings Group Ltd**

The Auction Holdings Group (AHL) owns the only licensed tobacco auction floors in Malawi. By law, all tobacco in Malawi must be sold on the auction floors. AHL owns and operates four auction floors, Limbe, Lilongwe, Chinkhoma in Kasungu and Mzuzu auction floors. AHL conducts the sales and is responsible for remitting money into growers accounts, taxes to the government and the numerous levies to the various organizations. Currently tobacco is marketed through both, the auction system and contract farming system. With the auction system buyers line up and bid for tobacco offered for sale by random growers, whereas in the contract market, leaf companies only buy from farmers with whom they had a prior production agreement. In either of these systems the tobacco must be brought to the auction floors.

As the only marketing channel of tobacco the AHL's position is critical to the competitiveness of the tobacco industry in Malawi. However, the company is caught up in a web of complicated relationships that may foster uncompetitive behavior in the industry. AHL is technically a private sector entity but state owned grain marketing company, ADMARC has a significant stake in it. In addition, AHL has on its Board of Directors representation from the Ministry of Agriculture. Analysts have argued that AHL has used its closeness to the State and its institutions to close out other players from establishing tobacco markets in Malawi (UNCTAD 2011). In addition, AHL owns several companies, two of which are active in the tobacco marketing business. Malawi Leaf Ltd, set up through a directive of the government to increase competition among tobacco leaf merchants is owned by AHL. It competes with other leaf merchants buying leaf from the auction floors owned and operated by its parent company. The other company, Tobacco Investments Ltd (TIL), is into tobacco grading and re-handling. If a tobacco bale presented to the auction floors is found to be wanting in quality it is referred for re-handling. There are several commercial grading companies but TIL is the biggest. Of late there has been an increase of bales that have been referred for re-handling, leading observers to suspect that AHL has an interest in these referrals to boost its other businesses. Other companies include Agricultural Trading Company (ATC), a farm

input supplier, AHL Chemicals and Steel Limited (ACSL), and AHL Commodities Exchange (AHCX). The latter company, AHL Commodities Exchange is the most explicit statement that AHL is looking at a future beyond tobacco. Established in 2012 to be “the country’s vibrant commodities trading platform with the state of the art trading system supported by an integrated robust technology,” (ahlmw.com.n.d)<sup>18</sup> AHLCX operates a commodity market for crops other than tobacco such as maize, groundnuts, Soy, pigeon peas, rice and beans. While AHL has taken steps to diversify its portfolio, the same message has not trickled down to smallholder tobacco growers. Asked why the company is not educating farmers about the uncertain future facing the tobacco industry, a representative of the company replied that they are a private company and “it is not their job to inform farmers whether their industry is faced with doom. That is the job of government extension agencies.”

### **5.3 The Tobacco Market: Smallholder Farmers’ Experiences**

Having laid out the range of institutions central to the tobacco industry in Malawi, I turn now to farmers’ views of the tobacco market place. To help the reader understand the disconnect between the grower and the tobacco establishment, I discuss farmers experience with the tobacco marketing process. Access to the tobacco market at the auction floors is the biggest headache for smallholder farmers. Simply transporting tobacco to the market requires that the grower must put up with extortion, risk of loss of tobacco through theft, and loss of quality due to exposure to the elements. After the curing process, tobacco leaves are pressed into bales each weighing on average 100kgs. The grower (or most likely the club) must find a transporter to ferry their tobacco to the auction floors. Growers are encouraged to use transporters registered by TCC but these are usually overwhelmed by demand and they may not show up for several weeks after being requested. Growers resort to paying bribes so transporters can load their tobacco first. Frequently growers use unregistered transporters. This brings the risk of theft. After loading their tobacco on a truck, some growers have had their bales disappear into thin air. In some cases transporters tamper with the bales by removing some leaf from their

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<sup>18</sup> <http://www.ahlmw.com/Company/ahl-commodities-exchange-limited>

clients' bales to make bales of their own. Transporters charge a fixed rate per bale. Regardless of distance carried transporters charge a minimum of MK2000/bale (\$4/bale in 2015) to deliver to the auction floor.

At the auction floors bales are weighed and stacked according to type (Burley, Flue-cured, or Dark-fired) and whether they are for the auction or contract market. On sale day, bales are laid out on the floors; auction market on one side and contract market on the other. Prior to the sale, a representative of the TCC assigns grades to the bales on offer. The auction market participants include a starter, an auctioneer, a classifier and buyers from leaf companies who walk through the row of tobacco presented for sale. At each bale the Starter shouts a starting price which the auctioneer chants in auction chatter gradually bringing the price down until a buyer from one of the companies signals intention to purchase it. Once a buyer has signaled their willingness to buy the bale, a leaf checker then marks the price to confirm the sale. This happens very fast with the auction train spending no more than fifteen seconds on any one bale. If no buyer offers a suitable price the bale is bought by the house to be offered for resale at a future date. Bales deemed to be poorly graded are rejected and sent for re-grading with one of the commercial grading companies. Grading fees are charged to a farmer's account. On the contract market, a similar scenario unfolds, except that here, instead of several companies bidding for the bales, it is just one company haggling with the TCC. The starter shouts the price and the company buyer either agrees or waits for the price to go down before committing to purchase the bale. If the farmer is not satisfied, they have the option of taking their tobacco to the auction market.

Figure 5.1: Inspection of Tobacco Bales Prior to Auction



Growers expressed frustration that the market is confusing and they are no longer sure what leaf buyers want. The sources of frustration with the market could be classified as follows:

(i) Mismatch of expectations between buyers and growers. There are 65 grades of Burley tobacco depending on leaf position on the plant, length, texture and color among other attributes (see Appendix 5). Growers typically grade according to position of leaf on the plant, the length, and whether it's broken or not. Once a grower grades correctly and avoids mixing tobacco with foreign matter, they surmise that their tobacco should fetch a good price. Leaf buyers may have extra criteria and needs. For example, if in a particular week buyers are looking for cutters which are found lower on the plant, any farmer who brings leaf or lugs will not get a good price regardless of how good the quality of his leaf. This makes it hard for growers to relate the prices on offer to the quality of their tobacco. Growers expressed dissatisfaction with this, saying they can't predict the needs of buyers

on any particular day as bales are sent to the market sometimes weeks prior to the sale.

(ii) Related to the above issue, in recent years, despite railing farmers to improve the quality of their leaf, buyers have shown preference for average quality tobacco. A visit to the auction floors and interviews with floor executives confirmed that buyers opted for lower quality tobacco which they buy cheaply. Random checks after auction sales found that well graded and high quality leaf that should fetch \$2/kg and above was rejected by buyers in preference for cheap leaf of below \$1.50/kg. This is a puzzling finding which I did not fully investigate but it could be explained either on financial grounds, i.e leaf companies had decided not to pay above a certain price, or it could be because leaf companies expected to get premium leaf from their contracted growers.

(iii) Growers lack of voice in the market process. Growers are mostly sidelined in the sale process. Although rules of the auction market allow growers to stop the sale of their crop if they are not satisfied with the price offered, very few can do that owing to the intimidating atmosphere on the floors. They rely on representatives of growers associations and TCC to speak on their behalf. Growers are frustrated that despite collecting a lot of money from farmers to work on their behalf, these organizations seem not to have enough clout nor interest to stand up to leaf buyers.

(iv) Rampant corruption. In informal interviews with growers at the auction, they noted that services are too slow and many of them believe that they need to pay bribes to get good services at the market. Growers have to pay bribes to get preferential off-loading slots, they pay buyers to offer them a higher price for their tobacco and they pay to have quick access to their sellers' sheets. Many industry insiders including staff from AHL and leaf companies also grow or buy tobacco from farmers and sell on the auction. Through networks at the market, industry insiders are able to enlist colleagues to buy their leaf at favorable prices. Growers notice these things and hence reinforces the belief that you either need to know someone or pay bribes to get good services at the auction market.

Inefficient logistics, unpredictable requirements from buyers and corruption are



some of the farmers' experience of the tobacco market in Malawi. These experiences have become ingrained in the system and they appear as part of the game for smallholder growers, such that it is hard for them to surmise that they are dealing with a shift in the global industry, rather than the usual ups and downs of a commodity market.

#### **5.4 Growers' Associations/Organizations**

Grower Associations are organizations recognized by government and TCC as bodies representing tobacco farmers in Malawi. In 2015 TCC had on its list eleven registered growers' associations. Tobacco Association of Malawi (TAMA) is the biggest and longest existing tobacco growers organization. National Smallholder Farmer Association (NASFAM) is the second biggest. It has national coverage but it is not exclusively tobacco as it caters to farmers growing other crops. Other smaller associations have presence in specific areas.

##### **Tobacco Association of Malawi (TAMA)**

TAMA is the biggest tobacco farmers organization in Malawi representing 85% of tobacco growers in Malawi. It was founded in 1929 to promote and develop the tobacco industry in Malawi with particular emphasis on protecting and advancing the interests of the tobacco growers. TAMA seeks to meet its objectives through advocacy, information dissemination, tobacco markets promotion, and of late, value addition for its members (TAMA n.d). Over the years TAMA has promoted itself as the voice of the grower that conducts advocacy on behalf of growers such as negotiating with government and buyers for better prices. This is the function that most analysts hold them accountable for. Through its 49 cooperatives countrywide TAMA also provides extension services, input loans, and tobacco transportation services to its members. These are the functions that have endeared TAMA to its members. In an economic environment where growers lack access to credit coupled with an underdeveloped input market and limited organizational abilities for a crop that requires massive logistical organization, TAMA has over the years provided useful services that have allowed smallholder to continue their participation in the tobacco production.

In the more strategic area of advocating for better conditions for the grower, TAMA's impact has been questionable. TAMA has been criticized for focusing on the needs of big growers and neglecting the needs of smallholders (PSIA 2005). A historical perspective of the association provides insights on the focus of its activities. Firstly, TAMA's origins date back to 1929 when the Nyasaland Tobacco Association (NTA) was formed (PSIA 2005). This was an era when tobacco was a crop for big estates and it follows that from its formation up until when tobacco was liberalized for smallholders in the early 90s, the association was accustomed to catering to the needs of big growers. Over the years the TAMA Secretariat has become part and parcel of the tobacco establishment with only tenuous connections to the smallholder growers who now produce the highest proportion of tobacco in Malawi. The Secretariat operates under the oversight of a Council composed of Councilors (who are actual growers) elected to represent growers from their respective areas. The President and members of the Council have made vocal pronouncements against key issues affecting smallholder farmers. Issues such as the hasty and disorderly commencing of the contract marketing scheme, and low prices offered to growers. Councilors have also expressed strong opposition to the arrangement that allows tobacco buying companies to also run estates and take part in the actual production of the crop. The secretariat has not taken a strong stance on these contentious matters. This says a lot about the focus of an association that touts itself as the voice of growers.

Secondly, up until 2004, membership to TAMA was mandatory for all tobacco growers. This meant that all tobacco growers had to be members whether they felt TAMA represented their interests or not. Then as now, TAMA collected levies from proceeds of members' tobacco sales, thus its financial survival is guaranteed regardless of whether the organization performs or not. This only changed in 2004 when membership to TAMA became voluntary. Still more, many farmers remained members because it was the most recognized association that could help with transport and marketing logistics which pose challenges to many growers. It must be noted that TAMA was the one organization that vehemently opposed the liberalization of burley to allow smallholders to participate in the early 1990s. Representing the interests of large estate owners, the association feared that

the liberalization of burley would lead to loss of labor for estate owners (Prowse 2010). If TAMA has been muted in representing its members, it has actively championed the issues dear to the tobacco industry. TAMA has been a vocal proponent of the contract marketing system denounced by its members and its own council members. TAMA has, like the industry establishment, blamed growers for the problems in the industry. According to TAMA, the problems in the tobacco sector center on too much quantity, poor quality and declining demand due to the global anti-tobacco lobby. One industry respondent confided to me that buyers (leaf merchants) were keen to eliminate auction in favor of contract system. According to him, buyers had pledged to pay good prices in confidence because farmers will then produce good quality tobacco. His tone indicated that TAMA was fully on board with this arrangement.

TAMA has also been active in countering the anti- tobacco advocacy from abroad. TAMA is listed as a founding member and has at some point been chair of the International Tobacco Growers Association (ITGA), an international group comprising growers worldwide supported by the global tobacco industry. At the urging of ITGA, TAMA has strongly argued against the FCTC. In addition to hosting summits, TAMA organizes the activities of the World Tobacco Growers Day (WTGD) in Malawi, mainly to express their opposition to the FCTC. In a statement on the WTGD 2016, TAMA noted that “ tobacco growers around the world wish to collectively demand from their governments a sustainable future in the face of the large uncertainties engulfing the tobacco market as a result of a steep decline in demand, without any present options that may ensure the subsistence of tobacco-growing communities” (TAMA n.d)<sup>19</sup>

### **Burley Tobacco Farmer Clubs**

Beyond the household, the tobacco farmer must contend with other social arrangements, the most immediate of which is the farmers club. Burley Clubs were created as part of the liberalization process to allow smallholders to grow Burley tobacco, previously the preserve of large estates (Negri and Porto, nd). As envisaged by the framers of the liberalization process, these clubs were supposed to facilitate farmers’

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<sup>19</sup> <http://www.tamalawi.com/news/the-4th-world-tobacco-growers-day.html>



access to finance through the now defunct Malawi Rural Finance Company (MRFC) and other financial institutions. Clubs were also meant to facilitate members' access to official extension services as well as access to the auction floors where tobacco sales are conducted. Additionally, club members could benefit from economies of scale in procuring farm inputs and transport services. Clubs act as a group lending institution and they monitor members repayment of debts as the members are jointly liable for any loans. Data from the Tobacco Control Commission shows a steady rise in the number of Burley tobacco clubs from 14,873 in 2000 to a high of 59,500 in 2010 before dropping to 37,048 in 2012 following a disastrous season in 2011. In 2013 there were 40,593 Burley clubs.

Clubs take different shapes with varying functions, intents, and affiliations. Primarily, clubs are there to help members access loans and they may help with transport and marketing arrangements for members (Van Donge 2002). Some clubs may be affiliated to national level associations such as NASFAM and TAMA while others only have loose membership to local level associations for the purpose of entering into contracts with tobacco companies. A typical tobacco farmers club has 10 -30 members who come together primarily to access loans from financing entities. With the stakes of tobacco production increasing and with the need for trust among members, it is common to have clubs that are started by a core of founders who are close family members. For example, a man, his younger brother(s), and his adult sons may form the core of the club with a few other people joining in. Sometimes clubs are entirely made up of family members. With the demise of MRFC the State owned agricultural lending company, and waning interest from other financial institutions to lend to smallholder farmers due to high transaction costs and high default rates, tobacco leaf companies are stepping in to provide financing through some of the same clubs.

Upon acquiring the registration number, the farmer or club is authorized to grow and sell a specified number of kilograms of tobacco at the Auction Floors. The registration number also binds the farmers to sell only tobacco grown by them and not to buy tobacco grown by other people. The registration number is an invaluable asset to the tobacco farmer. Without it no farmer can sell tobacco at the Auction Floors and no tobacco company would enter into an agreement with such a farmer. To have an active

and trouble- free registration number is the dream of every tobacco farmer. Although many people call themselves tobacco farmers, not all of them have valid registration numbers. Farmers without the registration number either grow so they can sell to local vendors or they depend on the few that do, such as friends and family members to sell the tobacco on their behalf. This is where the burley club becomes a nest for cheating and exploitation. There are stories of people who have lost all their earnings and become impoverished after using other people's registration numbers. When a grower uses somebody else's registration number, their access to the officially issued seller's sheets is at the mercy of the owner of the number. As such, if the owner chooses not to reveal it, the dependent grower has no way of knowing if and when their tobacco was sold, and for how much. And if the owner of the registration number has a loan with a financing institution or a tobacco company, they could use the proceeds from the grower riding on their back to pay off those loans.

Rick was once considered the brightest prospect in the village as a tobacco farmer. He got married in 2002 but kept working with his father; only starting his own farmstead in 2006. At the height of his farming career he grew two acres of tobacco (it is a hard feat for an average farmer in the village to successfully grow even one acre). A look at the assets he acquired in his brief time as a tobacco farmer confirms the assessment of his peers. He acquired livestock, an ox-cart, a bailing press, a groundnut sheller, and a two acre woodlot; all markers of a very successful farmer. All along he had been using the family's tobacco registration number together with his father and elder brother. In 2011 both his father and elder brother failed to repay their loans which meant that if Rick were to use the same registration number the following year, proceeds from the sale would first go towards paying off his father's and brother's loans. Rick was not keen on repaying their loans so he started looking for friends who would let him use their registration number. The following year, 2012, he grew tobacco again and got 2800kg; a very good harvest that puts him in a top category as a farmer. By comparison, in 2015 the most successful farmer in my sample of case study households got 2000 kgs. As fate would have it, the friend's registration number had an outstanding loan attached to it and Rick's proceeds went to pay off that loan; leaving him with nothing. That was the

beginning of his downfall. Today, he can barely afford proper clothes for his family, let alone finance his farming. He has not grown tobacco since 2013; only concentrating on soy and groundnuts with the hope of building up his capital and eventually going back to tobacco farming. “I am a very good farmer, even with the low prices that everyone got in 2011, I still fetched good prices. Had it not been for the incident with the registration number I would have been very far” (Rick, August 2015).

It’s not just non club members who are vulnerable to being cheated. Peripheral members of the club are also vulnerable to exploitation. Owing to the fairly opaque documentation around contracting loans and tobacco sales, and since only a few members actually deal with the banks and the tobacco companies, some club members, especially the illiterate ones, have a hard time figuring out how much they owe. This results in core members inflating the loan amounts of the peripheral members. Similarly, after tobacco is sold at the auction floors, some members may not know how much their tobacco fetched and how much of that money went to servicing the individual or group loan. There are rampant cases where a few members ended up paying the loan for the entire club.

The Burley club is a key institution in the smallholder tobacco production and marketing chain. Intended to facilitate more effective participation in the tobacco market through organizing farmers to access extension services, credit, transporting and marketing of the crop, and even to challenge the tobacco establishment in Malawi (Van Donge 2002), the club has become a means through which tobacco companies use growers to police each other and reduce risk of production failure and loan default. Rather than challenge the tobacco establishment to negotiate for better deals for its members, the club has become a vehicle through which the tobacco company enforces its production quotas and transfers risk to growers (by taking advantage of the club’s members to police each other and serve as debt insurance).

The club also creates power differentials in the village. The registration number is a key asset to the club such that most clubs revolve around people who are de facto patrons of the clubs either because they own the registration number or they have the influence to force members to meet their loan obligations. This position of power is often

abused to the disadvantage of peripheral members of the club. Due to the demands placed on the tobacco club members to maintain the integrity of the registration numbers, and the origins and composition of the club, failure by members to repay a loan may result in grave consequences. If a member fails to repay their portion of the loan, the club is forced to repay on their behalf to avoid losing their registration number. Depending on the wealth of the defaulter, they may voluntarily sell their assets to repay their loan. If the owner is a core or founding member, out of respect, the club may give them another season, hoping that they will recover from their loss and repay their loan. In extreme cases, especially where the defaulter is without assets, or is a beginner, the club may repossess the farm plots of the defaulter and put them on sale to recover the loan.

### 5.5 Rents in the Tobacco Value Chain

The multiple institutional players and actors in the tobacco value chain are sustained by fees and levies deducted from leaf marketed through the system. In 2016 for every 100kg bale of tobacco, the farmer parted with \$9.28 in levies and fees (see Table 5.2). These do not include transport fees, loan repayments, labor and other production expenses.

Table 5.2: Tobacco Market Levies and Fees 2016

Levy/Fee	Institution	Amount
Withholding Tax	Malawi Revenue Authority	3% of gross proceeds
Classification Levy	Tobacco Control Commission	0.13 of gross proceeds & 0.35 <u>cent/kg</u>
Association Levy	Grower Associations  These include TAMA, NASFAM and others.	0.7 cent/kg
Commission	Auction Holdings Ltd.	2.5% of gross proceeds

These levies have been a source of complaint by growers who argue that some of these levies are on the higher side. They argue that the work done by some of these agencies do not merit the fees they charge.

## 5.6 Conclusion

This chapter has shown that tobacco production is made possible through elaborate structures starting from state level to the community. History and processes of state building made tobacco a national strategic crop with an elaborate institutional structure of regulators, policy making bodies, service providers, grower associations and leaf merchants. The purpose of the chapter is not to portray all institutional actors in a bad light. Rather, it is an examination of the actions of self-interested actors acting within a particular institutional framework. In this framework, the state presides over an undiversified agricultural economy and is keen to fill its coffers through the easiest source of revenue- tax on the agricultural sector. The state is joined by local institutional actors and private companies who seek to make money from the tobacco value chain. Where the interests of the state and other actors converge, it becomes imperative for all actors to cooperate to ensure an organized and stable marketing which is achieved through legislation, regulations, policies and practices that regulate the industry.

What is undeniable is that this elaborate institutional structure is sustained on the back of the smallholder tobacco grower who is saddled with levies and fees, some of which go towards institutions whose services do not match with the amounts they collect. A centralized marketing system ensures that each of the institutional players gets their piece of the pie, while the grower who has to deal with rising costs, unpredictable weather and an unstable market is the last to get paid. The existence of an institutional framework in which most of the actors have no alternative sources of income is unlikely to send true signals to the farmer about the true state of the industry. In addition, the tobacco grower experiences the institutional framework around tobacco through processes marked by blatantly unequal power relations and rampant exploitation. The registration and marketing processes are riddled with inefficiencies and corruption. I argue that since tobacco has always been an exploitative crop regardless of whether the prices are stable or not, smallholder growers experience the current instability in the industry through the exploitative processes in which they are enmeshed. As such, the current instability is seen by many growers as part of the game of tobacco and is not enough to increase perception of risk among a majority of growers, let alone to trigger concerted efforts in search of options for livelihood diversification.

## Chapter Six: Changing Structure, Producing Instability

### 6.0 Introduction

This chapter discusses the structural changes in the tobacco industry. As the farmers at Kumala deal with fluctuating prices and ever changing standards of what it means to grow a good quality tobacco crop, they are working within a set of myriad tacit arrangements at global and national levels that influence what is grown, how it is grown and how much farmers are paid for their annual crop.

To understand how global processes influence the livelihoods of smallholder tobacco growers, it is important to highlight the specific factors and trends implicated in the production, marketing and consumption of tobacco globally, and explore how they have changed over the recent years. Following Craig (2005), and (Little and Dolan 2000), I use the term structure to refer to the organization, social relationships and political systems around a commodity often formalized through legislation, regulation, and contracts. In this chapter I examine how these relationships and systems influence all stages in the tobacco chain from, production and marketing to consumption. Being a crop that resists mechanization, tobacco production and manufacturing have for the most part been separate realms. The relatively small-scale production operations, sometimes carried out by plantations but more commonly by small family farmers, operate in an industry where giant firms dominate processing and manufacturing (Goodman 1994). This sets up a dynamic where multitudes of producers find themselves in a subservient position to manufacturers. Manufacturing, the stage that involves transforming raw tobacco into cigarettes, is dominated by multinational corporations. These multinational corporations also dominate the marketing and distribution of the final product. It is estimated that as much as 50% of tobacco value is concentrated in marketing (Groger et al 2015). In 2015 the value of cigarettes traded on the international market was \$36.1 billion<sup>20</sup>.

As a tradable item, tobacco is also affected by trade and regulatory arrangements external to the industry, and may fall within the remit of national governments,

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<sup>20</sup> UN Comtrade, commodity code 240220. Accessed 01/08/2016

inter- governmental agencies and other interest groups. Firstly, national governments have looked at tobacco as a revenue generator. How much revenue they decide to collect from tobacco, and the means used, have far reaching implications on trade and consumption of tobacco products. Secondly, governments pay keen interest to tobacco as they seek to protect jobs created by production, manufacturing and marketing of tobacco products. Added to that, tobacco production and consumption are also health, environmental and labor issues. As consumers and the public in general become more aware of tobacco's role in increasing morbidity and mortality, and harming the environment, tobacco gets drawn into discourses, conventions and regulatory actions that affect how much is grown, how it is marketed and how it is consumed. In recent years as these factors have come into play, and become hotly contested by multiple parties with varying interests and affiliations, global production, marketing and consumption patterns of tobacco products have changed, with palpable implications on the livelihoods of tobacco growers (Benson 2008; Kingsolver 2011).

The broader aim of my study is to explore the interplay between rural peoples whose livelihoods are in flux, and the larger institutional and structural forces which give shape to regional economies, and the livelihoods of those who live there (Sick 2014; Tsing 2004). This chapter demonstrates how the structural and institutional changes at global level affect the local industry, and ultimately, how they affect smallholder tobacco growers at Kumala. This framing allows me to situate growers' experiences of an unstable market within a broader global context. It also allows for a closer examination of processes of economic globalization demonstrated in the nature of changing relationships between the state, the tobacco industry and the growers (Craig 2005; Stanford 2000). In the first section I discuss the changing trends in the industry and in the second section I discuss changes in the local industry focusing on the changing relationships between key players in the Malawian industry.

## **6.1 Changing Trends in the Industry**

### **Public Health, the FCTC, and the Anti-Tobacco Lobby**

Anti-smoking campaigns by global public health activists spearheaded by the World Health Organization (WHO) have changed the perceptions towards use of tobacco products among the key consuming populations in North America and European countries. The World Health Organization estimates that tobacco kills 6 million people every year and this is on course to increase to 8 million by 2030. Tobacco related mortality is not restricted to smokers alone. By the accounts of the WHO, 600,000 people die due to exposure to second hand smoke every year. WHO notes that smoking tobacco is associated with causing death through non-communicable diseases such as cancer, cardiovascular disease and through communicable diseases such as tuberculosis and lower respiratory infections.

In addition to causing loss through mortality, the morbidity resulting from smoking leads to reduced earnings in smokers' household and increased healthcare costs which are borne by both households and governments( WHO n.d)<sup>21</sup>. Gradually, tobacco has become a pariah crop, and the smoker a maligned figure. Ever since revelations of the link between smoking and cancer became public in the early 1950s, the meaning of smoking has gradually changed from symbolizing the notion of masculinity and freedom represented by the Malboro man, to symbolizing illness and addiction (Brandt 2007). In recent years there have been massive public health campaigns and regulations to end the use of tobacco. Much of the momentum behind this push is attributed to the WHO spearheaded FCTC. The Framework Convention for Tobacco Control (FCTC) is the primary global regulatory framework for tobacco control. It is the first treaty signed under the auspices of the WHO, and as of the time of writing, 170 countries were party to the treaty. The FCTC seeks to combat the globalization of the tobacco epidemic brought about by complex factors such as trade liberalization, foreign direct investment, global marketing and trafficking of contraband. Articles of the FCTC spell out measures relating to reduction of supply and demand through taxation and other financial tools as well as

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<sup>21</sup> <http://www.who.int/tobacco/economics/en/>



legal instruments. Other articles relate to the protection of the environment, providing alternatives for farm populations dependent on tobacco farming as well as measures for monitoring, surveillance and technical cooperation among members to combat the tobacco epidemic (WHO. n.d). The FCTC is steadily gaining ground. At the time of writing, 1,052 municipalities across the United States, representing 81.5% of the population have introduced laws banning smoking in non-hospitality workplaces and/or bars and restaurants (American Non-Smokers Rights Foundation, 2017). Furthermore, countries who are signatories to the FCTC have moved to regulate packaging and advertising of tobacco products especially to minors. Other measures include increasing taxes on tobacco products to discourage tobacco use and efforts to eliminate illicit trafficking in tobacco products to cut the availability of cheap tobacco alternatives.

Outside of the FCTC individuals in the USA have successfully brought lawsuits against tobacco companies for addiction, illnesses and death resulting from smoking tobacco (NOLO .n.d). These developments have shaken the core of the tobacco industry forcing it to fight for its survival. With support from governments of producing countries the tobacco industry has sought to counter the anti-tobacco sentiment by highlighting the benefits of tobacco farming on the livelihoods of farmers and farm workers and on revenues of national governments. Nevertheless, smoking prevalence rates in North America and Europe, the areas where tobacco has been used for a longer period and which were also premium markets for the industry, have been falling steadily over the years (see Table 6:1).

### **Shifting Demand for Cigarettes**

The anti-smoking campaigns may have shaken the tobacco industry but have not resulted in a total victory (see figure 6.1). Data from WHO shows that while the smoking prevalence rates, the percentage of people who smoke daily, have been falling steadily in developed countries, they have been rising in developing countries (see Tables 6.1 and 6.2). For example , in 2000 Australia had smoking prevalence rates of 19.4 among females and 22.8 among males. By 2015 the prevalence rates had fallen to 10.9 among females and 13.8 among males. In Canada 18.8% of females and 21.6 % males smoked in

2000. By 2015 the rates had dropped to 8.5 among females and 12.7 % among males. The story is quite the opposite in developing countries. In 2000, 0.6% of females and 8.3% of males smoked in Cameroon. In 2015 the smoking prevalence had shot up to 29.9% among males and was unchanged among females. In Egypt, 0.8% of females and 29.2% males smoked in 2000. In 2015, 0.2% females and 41.8% males smoked. The Asia-Pacific region has seen the most rise in demand for cigarettes. Between 2001 and 2012 demand for cigarettes grew by 59% in Vietnam, 41% in China, 34% in Indonesia, 32% in the Philippines, and 15% in India between 2001 and 2012 . This has been attributed to the rise of a consumer middle class and evolving norms about the desirability of smoking as a symbol of masculinity and the intensified marketing of major tobacco brands in the region.(Goger et al 2014).

Table 6.1: Developed Country Smoking Trends

Country	Year	Female	Male
Australia	2000	19.4	22.8
	2015	10.9	13.8
Canada	2000	18.8	21.6
	2015	8.5	12.7
Belgium	2000	19	28.3
	2015	15.4	20.9
France	2000	20.7	30.4
	2015	18.2	23.1
Spain	2000	23.7	37.6
	2015	18.7	25.9

Source: WHO Global Report on Trends in Prevalence of Tobacco Smoking 2015

Table 6.2: Developing Country Smoking Trends

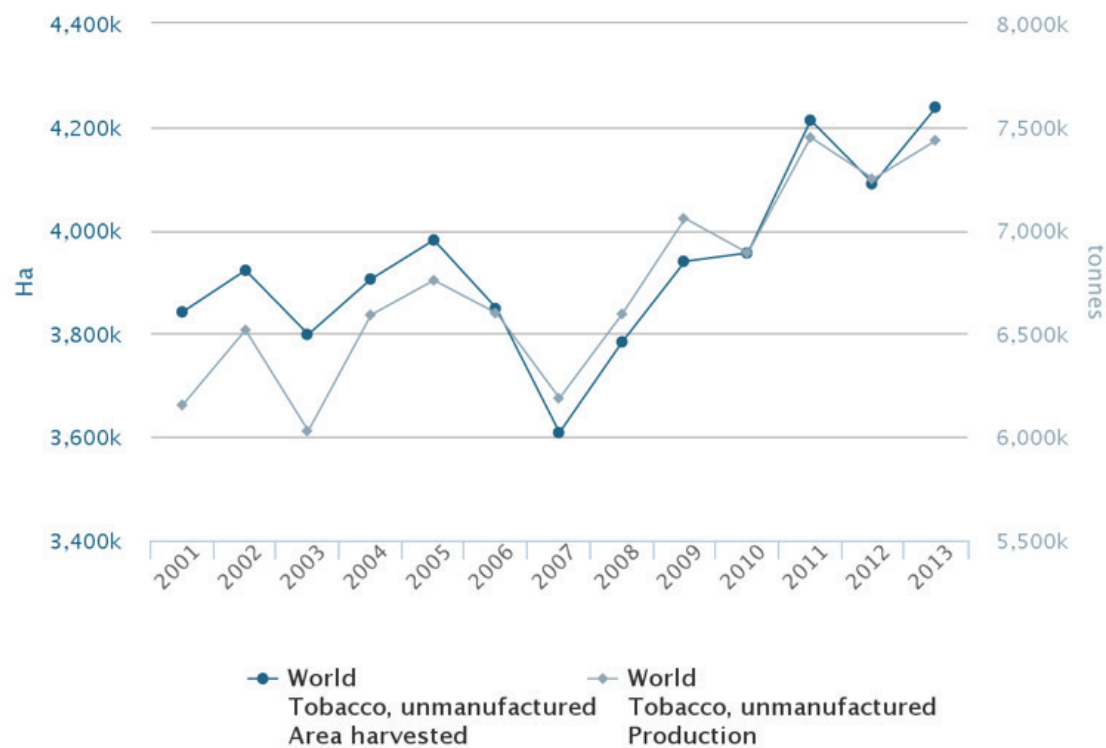
<b>Country</b>	<b>Year</b>	<b>Female</b>	<b>Male</b>
Cameroon	2000	0.6	8.3
	2015	0.6	29.9
Egypt	2000	0.8	29.2
	2015	0.2	41.8
Haiti	2000	2.8	12.6
	2015	1.8	15.2
Nigeria	2000	1.5	8.9
	2015	0.8	13.7

Source: WHO Global Report on Trends in Prevalence of Tobacco Smoking 2015

### **Shifting Production Patterns**

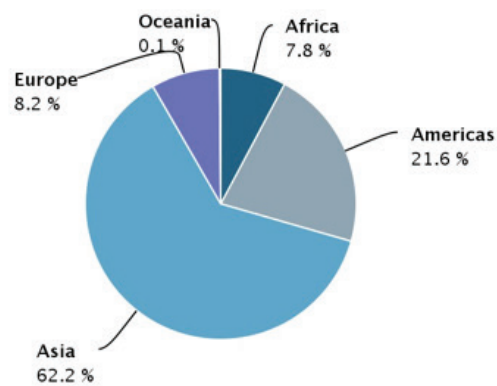
Following pressure from public health advocates and governments of consuming countries, production of tobacco is shifting towards least developed countries with the least effective regulatory frameworks. In 2001, the USA was the world's leading exporter of tobacco but has since been overtaken by Brazil. Between 2001 and 2010 production of tobacco declined 39% in the USA, 37% in Italy and 31% in Indonesia. In the same period production increased in India (197%), Malawi (112%), Brazil(67%), Argentina (68%) and China (34%) (Goger et al 2014).

Figure 6.1: World Tobacco Production and Area Harvest



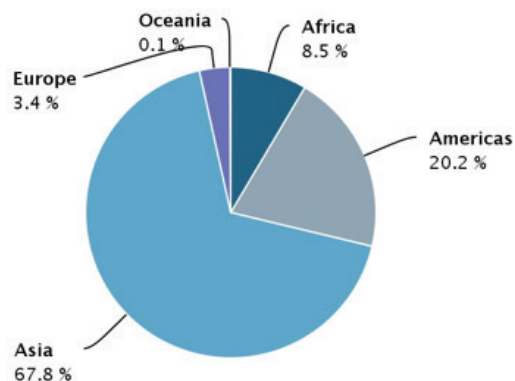
Source: FAOSTAT

Figure 6.2: Tobacco Production Share by Region in 2000/2001



Source: FAOSTAT

Figure 6.3: Tobacco Production Share by Region in 2013/2014



Source: FAOSTAT

Overall production has risen significantly in Asia followed by Africa while Europe has seen the largest decline from 8.2% of the world's production in 2001 to 3.4% in 2014. China is responsible for much of the rise in Asian tobacco production. The existence of a large domestic industry which uses all the tobacco produced in that country helps explain why China is not a significant exporter of tobacco like Brazil.

### Industry Consolidation

The industry has seen a changes arising from mergers and acquisitions that have led to consolidation of the industry into a few corporate players. The tobacco manufacturing and sales industry is now controlled by four transnational firms at the top; Phillip Morris, British American Tobacco (BAT), Japan Tobacco International (JTI) and Imperial Tobacco (Bialous and Peeters 2012). These mega companies, which dominate manufacturing and marketing of cigarettes, have been involved in a flurry of mergers and acquisitions of smaller companies to strengthen their positions on the world market. Between 2005 and 2012 Phillip Morris acquired leading tobacco companies in Australia, Canada, Jordan, Colombia, New Zealand and South Africa while BAT acquired firms in Colombia, Indonesia and Turkey. JTI acquired a leading British tobacco company Gallagher Group . In 2005, Stancom and Dimon, the 2nd and 3rd world largest leaf companies, merged to form Alliance One. The leaf processing stage in the value chain is now

dominated by two global leaf merchants, Alliance One International, and Universal Leaf who account for 45% of the market share each (Goger et al 2014).

Beyond the Board rooms, this consolidation has changed the structure of the industry in ways that have consequences for smallholder growers. With these consolidations, control of the tobacco value chain has become highly monopolized resulting in uneven power dynamics between players in the chain. For example, even as leaf companies come to the villages ostensibly in partnership to help growers improve their tobacco and offer a steady market, the same companies dictate leaf prices leaving farmers with no room to negotiate. Furthermore, awash with massive revenues, these multinationals have acquired some economic and political muscle and they are able to leverage their purchasing power to drive down prices of raw tobacco. Lawsuits in different regions have alleged that major leaf merchants operate cartels on leaf markets, working with each other to bid low on auction prices (D. Lamar Deloach, et al., v. Philip Morris Companies, et al. U.S. District Court for the Middle District of North Carolina; Zimbabwe Herald 29 April 2014).

### **Changes in Production and Marketing Arrangements**

For growers, the most noticeable change in the industry has been on production and marketing management. Tobacco companies are keen to do away with the traditional auction system of marketing in preference for contract production and marketing arrangements. Leaf companies are now providing growers with inputs such as seed and fertilizer on credit as well as extension services with a promise to buy the tobacco leaf. From the company perspective, contracting is a way to gain control of the supply chain which allows them to forecast the availability and quality of raw material. They also see contracting as a way to sidestep credit supply constraints among smallholder growers and as a way to eliminate labor abuses in the supply chain (Oya 2012). The major effect of this vertical integration has been to sideline auction houses in which national governments often have stakes (Benson 2008; Craig 2005). Besides this, integration restructures the relationships between the leaf companies and the farmer and possibly introduces new vulnerabilities. Whereas with auction marketing growers had relatively

little contact with the leaf companies, now the companies direct all aspects of production and marketing. For the farmers involved, they see it as a good development. “It’s a partnership. The company and the farmer are now working together. They know our problems and they can help us.” (Samuel, September 2015). For the older generation, they see it as a return to good old times before the liberalization when there used to be order in the industry. “When we used to grow NDDF, government used to buy it from us. Prices were announced in advance. The coming of the auction market brought confusion and corruption. Now these companies are coming to help us” (VH Mikeka, June 2014). Other growers appreciate the face-to-face way of doing business as opposed to the impersonal auction market. “You get to know the buyer of your crop” (Mr. Willard, October 2014).

In this discussion on the changing structure of the tobacco industry, I have highlighted the global processes and trends, including the rise of regulatory frameworks, changes of corporate organization in the industry, and changing production and consumption patterns that are disrupting the industry. This is to highlight the fact that smallholder tobacco growers are facing not just a down turn in market conditions but major shifts in the global landscape that shapes the production, marketing and consumption of tobacco. This also seeks to highlight the areas of vulnerability of growers. Increased regulation, increased awareness about the dangers of smoking and the inevitable reduction in consumption of tobacco will, in the long run, take away the viability of tobacco livelihoods. Consolidation and vertical integration in the industry further increases the marginalization of the grower in the global tobacco value chain where growers have neither the muscle nor the voice to shape the market. In the next section I discuss how the structural changes affect the local tobacco in Malawi.

## **6.2 Instability in the Local Industry**

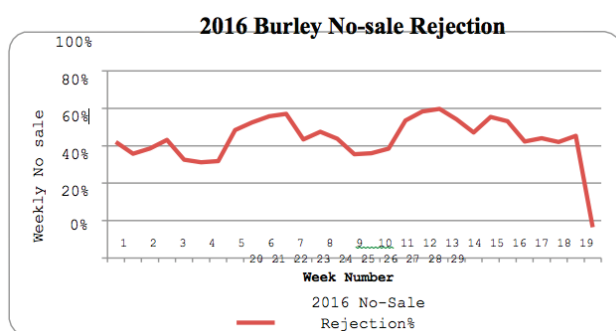
The changing structure of the global tobacco industry has had a profound impact on the local industry. The global changes in the structure of the industry articulate with factors in the political economy of the local industry, which translates into what smallholders experience in their livelihoods. The smallholder farmer experiences the

instability in material ways, through stringent and unpredictable quality standards which sometimes result in their crop being rejected at the market. Smallholder growers also experience reduced earnings from their crop.

### High Tobacco Rejection Rates

In recent years growers presenting their tobacco for sale at the auction floors have experienced massive rejection rates. In one interview a respondent from AHL related that in that week the trend had been that out of 2000 bales presented for sale at the auction market only 800 were bought. The rest were rejected ostensibly for being poorly graded, or because the buyers simply weren't looking for that particular type. In the 2016 marketing season in some weeks of trading rejection rates were as high as 80 % (see Figure 6.4). The industry standard rejection rate is 20%. Observers have identified this phenomenon as an effect of the battle for supremacy for the contract vs auction market. Industry insiders and analysts confided that leaf merchants are keen to force government to abandon the auction market so that all tobacco is exclusively traded through contracts.<sup>23</sup> Leaf merchants are putting emphasis on contract markets by getting most of their leaf needs from contract farmers; only using the auction market to supplement their share. Rejected bales not only delay the sale and increase impoverishment of the grower who has to wait for weeks or months to receive his earnings, they also impose additional costs on the farmer especially when the tobacco is referred back for grading.

Figure 6.4: Burley Weekly Rejection Rates: 2016 Marketing Season



Source: AHL 2016

<sup>23</sup> <http://mwnation.com/burley-tobacco-rejection-rate-worries-stakeholders/>



Figure 6.5: Rejected Tobacco



Source: Photo by Author

### Declining Income

Smallholder Burley tobacco growers have also been experiencing declining earnings. From a high of \$2.37/kg in 2008, and a record volume of 169 million kgs which saw total sales gross \$400 million in revenue, it has been a downhill trend in terms of both the price paid to growers for a kg and the total revenues from tobacco proceeds collected by government. In 2015, 168 million kgs grossed \$208 million in national sales with the grower fetching a national average of \$1.67 kg (see Table 5:3). The average of \$1.67/kg masks huge differences between prices paid to individual farmers, as well as differences in the prices offered to growers in different weeks of the marketing season. In some years, the prices start off very poorly at the beginning of the season and fluctuate up and down, only steadily picking up towards the end of the season. In 2016, prices started off relatively high and decreased as the season progressed (see Table 6:3). In 2011, the

official average price for burley was \$1.13/kg, one of the lowest recorded in recent times. Farmers in the study area benchmarked 2011 as a disastrous season; referring to it as the “80 cents” season because most smallholder growers in the area received prices hovering around 80 cents per kg for their tobacco.

Figure 6.5: Weekly Average Tobacco Prices 2016

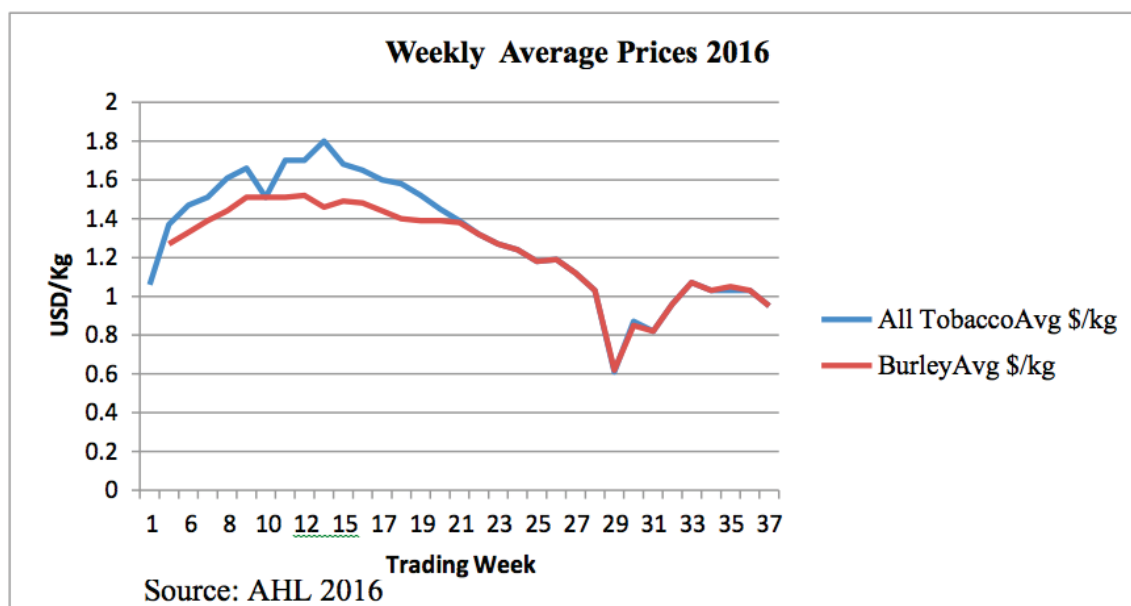


Table 6.4: Annual Burley Sales (1995-2016)

Year	Volume	Gross (US\$)	Average Price (US)
1995	101,449,66	150,324,675.0	148.18
1996	117,937,49	190,227,818.0	161.30
1997	133,886,95	204,780,143.0	152.95
1998	113,786,69	147,522,463.0	129.65
1999	111,391,77	153,789,852.0	138.06
2000	142,235,12	144,973,738.0	101.93
2001	115,298,47	126,560,215.0	109.77
2002	125,365,00	139,651,947.0	111.40
2003	102,772,91	116,849,932.0	113.70
2004	151,453,35	165,108,719.0	109.02
2005	119,519,86	118,191,988.0	98.89
2006	124,082,42	112,157,563.0	90.39
2007	86,620,38	149,913,985.0	173.07
2008	169,218,64	401,153,888.6	237.06
2009	208,301,51	366,218,172.4	175.81
2010	193,238,63	342,971,867.0	177.49
2011	208,324,83	235,564,660.0	113.08
2012	64,676,433	132,132,718.9	204.30
2013	144,796,66	292,111,857.8	201.74
2014	159,386,06	282,958,136.0	177.53
2015	168,248,23	280,209,951.2	166.55
2016	174,472,43	225,685,530.1	129.00

Source: TCC (2015) and AHL (2016)

These trends have brought uncertainty and economic insecurity among growers. Growers have disrupted sales at the auction market in protest against poor prices. In 2015, during the course of the study, tobacco markets were suspended several times due to disruption by farmers. Non growers have also felt the effects of declining tobacco earnings. The Reserve Bank and other financial analysts have attributed constant currency devaluation to low inflows of foreign exchange from tobacco sales (William Kumwembe, Daily Times, 10 June 2016; Taonga Sabola, Daily Times 12 November 2014; Chikondi Chiyembekeza, Malawi Nation, 25 April 2013). In the wider economy it means reduced flow of money into the rural areas and reduced consumption and welfare for the rural masses.

### **6.3 Changing Relationships under Economic Globalization**

In the wider sense of economic globalization, the changing structure of the global tobacco industry and the resulting instability in Malawi is about changing relationships between growers, leaf companies, and the state on one hand, and the state and leaf companies on the other. This approach frames the problem of declining grower incomes, and uncertain and unstable markets as rooted in shifts in the ways actors relate to each other in the tobacco value chain. The changing relationships between growers and leaf companies are exemplified by the emergence of contract farming and marketing arrangements.

### **6.4 Changing Farmer-Leaf Company Relationships: Entrenchment of Integrated Production System/Contract Farming**

Contract farming is an arrangement where tobacco leaf merchants enter into agreements with farmers (both smallholders and estates) to grow and supply specific volumes and quality of tobacco. The leaf company undertakes to buy the tobacco at an agreed price. Several reasons have been advanced for the rise of contract farming globally. Globalization and restructuring in the agro-food industry, demanding and exacting consumer preferences, the rise of private regulation, the competition for product differentiation and branding have been cited as factors leading to the growth of contract

farming in Africa (Gibbon and Ponte 2005; Röttger 2004; Watts 1994). Liberalization of the agricultural sector following structural adjustment programs could also have been a plausible reason for the emergence of private sector led contract farming in Malawi. IMF mandated reforms in the economy required the dismantling of controls in the agricultural sector and privatization of agricultural lending and marketing parastatals among other things (Chilowa 1999; Harrigan 2003). As a result, credit provision and marketing services for the smallholder farmers were severely scaled down. ADMARC, the state owned agricultural marketer that used to buy tobacco from smallholder farmers no longer bought the commodity. Agricultural lending was entrusted to Malawi Rural Finance Company, a State owned company which operated along private lines meaning that agricultural credit was not available to everyone. This created a vacuum that private companies were uniquely positioned to fill but ultimately failed to do so (Harrigan 2003). When it eventually happened, the rise of private sector led contract farming in Malawi was a result of political upheavals in a neighboring country. When Zimbabwe's President Robert Mugabe violently snatched land from white farmers, it led to a shortage of flue-cured tobacco on the market. Malawi's production of Flue-Cured tobacco had already been falling from 25.7 million kgs in 1991 to 8.5million kgs in 2001 (Kumwenda and Madola). Zimbabwe, being a big producer of this type of tobacco, picked up the slack and supply on the market was barely affected. But following reduced production in Zimbabwe from the late 1990s, the market supply was affected. Limbe Leaf Tobacco Company, decided to stabilize and revive production of flue tobacco in Malawi. The company entered into a partnership with Kasungu Tobacco Farmers Trust, a recently privatized parastatal that specialized in flue cured tobacco. Limbe Leaf provided a comprehensive input package for tobacco as well as maize. It also provided money for labor and for food rations (Kumwenda and Madola n.d).

Following the success of this experiment, other leaf merchants joined in and began to do the same with burley growers. This movement towards contract farming was eclipsed by developments in the tobacco industry which resulted in the emergence of the integrated production system (IPS)-a worldwide trend in the tobacco industry where farmers and tobacco merchant firms establish contractual obligations covering production

and marketing of tobacco (Vargas 2010). The IPS is the tobacco industry's response to the criticisms it has faced from global public health and human rights activists. The industry has had to contend with issues of poor labor conditions (ILO n.d ; Otanez 1994), child labor (Otanez et al 2006), environmental degradation (Heist et al 2008), and an increase in malnutrition and food insecurity (CFSC 2015, De Schutter 2014, Mwasikakata 2003). In the words of industry insiders "the IPS is a way of looking at the entire system; the crop, the environment, the people and the economics." IPS specifies the tobacco varieties to be grown as well as the production and management practices to be applied. It also requires that farmers care for the environment. One company related that farmers are required to plant 180 tree seedlings for every hectare of tobacco they grow.

Under the IPS, people management refers to fair labor practices including avoiding use of child labor and forced labor as well as improved welfare of tenants. IPS farmers are also encouraged to produce food crops. Companies issue maize, legume seed and fertilizer in proportion to tobacco hectareage. Through the IPS the global tobacco industry has sought to establish a system that will allow every single bale of tobacco to be traced to the grower to ascertain that none of these principles have been violated. By pointing out the broader reach of the IPS, industry insiders are keen to emphasize that IPS is more than just contract farming. IPS falls into two categories; self-financed contracts and company financed contracts. Farmers on self-financed contracts only get assurance of a ready market whereas with company financed contracts the farmer also gets loans for inputs and for rations.

Whereas previously farmers only looked to financial institutions such as the defunct Malawi Rural Finance Company (MRFC) to provide financing for production, farmers now look to tobacco leaf merchants to provide financing for the production of the crop. Three major companies Limbe Leaf, Japan Tobacco International (JTI) and Alliance One are active in the area around Kumala village. The average loan amount for a farmer on IPS is \$960. Although specifics may differ slightly, the contracting company provides seed, fertilizer, pesticides and plastic paper for covering curing barns. By estimation there are 20% self-financed and 80% on company financed contracts. Tobacco



growers appreciate the coming of leaf companies to finance production and help them with the technical aspects of tobacco growing. All except seven tobacco farmers in the case study households were on contract with one of the companies. Although I initially started out with a category of growers not contracted with any leaf company, during the course of the study those very households decided to go on contract. Of the seven not originally on contract, one had just returned from labor migration in Mozambique, one was getting inputs from someone who was on contract, and the other was desperately trying to get on contract with one of the companies. The other four were either young or old but in any case not stable with their farming. Besides the financing, for most growers it is imperative to get the technical requirements right which drives them into contracts with leaf companies. Failure to produce tobacco to specified requirements is increasingly becoming untenable as growers risk losing markets. “These days, by working directly with the tobacco company, you avoid the discrepancy between what (government) agricultural extension says and what the company wants. This time company workers tell us what to do, and we know that is exactly what the company wants.”(VH Mikeka, June 2014). Furthermore, with this arrangement growers also notice improvements in their own abilities. “We are getting good quality tobacco with the coming of company extension agents - the companies have interest in the quality of the leaf” (FKLK, June 2014).

### **6.5 Mechanics of Contract Farming**

Typically extension agents employed by leaf companies, scout for and register farmer clubs to participate in the contracting scheme around July-August. The agents, also known as Leaf Technicians, typically have a diploma level training in agriculture and possibly specialized training in tobacco production. They are assigned to an area covering several villages but they typically reside in urban areas closest to their work places. These agents are responsible for recruiting and training growers as well as managing all aspects of the credit program. They provide an extension service to the farmers contracted to their company in a bid to improve volume and quality of the crop through good agricultural practices, commonly known as GAPs in the industry. Through

lectures and demonstrations, the agents walk farmers through every stage of the production process from sowing, curing and bailing, to marketing. Emphasis is also placed on training in agricultural labor practices (ALPs) which cover issues such as how to minimize child labor and observing approved labor practices towards tenants. It must be noted that there are two forms of membership in the contract scheme. Some members only go into a contract to access the market while others get input loans as well. Once trained the farmers who registered for input loans are given loans through banks. They don't actually see the money. What they see is a truck with company approved inputs arriving at their door step, together with delivery notes for farmers' signatures to document that they received the inputs. The leaf company registers stop orders on the loans with the tobacco auction floors. This step essentially attaches the loan to the club's registration number and ensures that proceeds from tobacco sales of the borrower farmer go to service his loan first. The Bank opens two accounts for the farmer; a loan account and a savings account. After the loan is repaid, tobacco proceeds are then transferred to the farmer's or club's savings account.

To qualify, a farmer must have attended extension meetings organized by his chosen company for no less than two years during which time they are assessed for suitability and preparedness to enter into contract by extension agents of the tobacco company. Once they get the contract they must pay a deposit of MK40,000 for inputs worth one hectare of tobacco and promise to observe strict agronomical and labor practices. Tobacco companies are looking for farmers with the capacity to grow good tobacco. Capacity means they have the land and the implements (sheds for burley and barns for flue-cured tobacco). Prospective farmers must also be within the company's geographical areas of operation, areas where the company has decided to focus its activities. Loyalty is also a requirement. Farmers are expected to have been with the company for some time (by attending extension meetings and trainings organized by the company) and they must have expressed intent to go on contract. A tobacco company representative told me that they are looking for the "right farmers who can produce the right kind of tobacco; the right quality and the right yield". They are looking for farmers with good financial management. These are farmers who can pay back loans and invest in the right amounts

of inputs. This, the company believes, ensures consistency of yields. “Good financial management shows that the farmer is serious about his business” he said. These requirements and the sentiment in the industry show that contract farming is focusing on a particular type of farmer and not each and every smallholder with access to land. The IPS is looking for farmers who have the resources, and who are literate enough to benefit from extension services from the companies. For example, in 2013/14, one of the companies had on its list 40,000 growers who grew tobacco on 25-35,000 hectares. In 2014/15 growing season they had reduced to 20,000 growers working on roughly the same hectarage. This was because they had found that they could get more yield from the same hectarage if they worked with “efficient” farmers. Reducing the number of growers also reduces transaction costs on the part of the company. Early indications show that this selection criteria is beginning to create differentiation among farmers in the village. As an example, contracted tobacco farmers have been accumulating land holdings as a compared to non-growers and non-contracted growers. Because of the stringent requirements, members are selective in who they admit into their club to ensure that only those who have the money to pay the deposit and can grow good tobacco are allowed in. These tend to be those farmers with larger land holdings and a well-developed network of friends who can vouch for them with the leaf company. Most of the poorer farmers dream about being accepted into a club, but for most it remains just that; a dream.

For its part, the company expects the farmers to deliver the agreed amount of tobacco without fail. For an average farmer working on one hectare of land the company expects at least 3,500kg of tobacco, or 35 bales each weighing 100kg. The company also expects farmers to employ precise agronomical practices, as they were trained. For Alliance One, these include having two nursery beds. The first bed must be 5m by 1m and the second 15m long by 3m wide. Tobacco seedlings are sown in the first and transferred to the second. Ridges must be spaced 115cm apart and planting stations 47cm apart. The first fertilizer application must be done before planting. Farmers on the other hand expect the company to buy all their tobacco and help them with transporting their tobacco to the auction floors for sale. Strangely, farmers also expect the company to be their ‘voice’ and lobby for better prices on their behalf.



At an extension meeting organized by one of the leaf companies as the first day of the tobacco market drew close, the extension agent invoked the language of ‘development’. “We need to keep meeting to advise each other to improve our lives,” he said. He further talked about the company being on a ‘journey’ together with the farmers. “We have travelled together from the nursery, now we look forward to the market.” He reminded the farmers to repay their loans, and not to sell their tobacco to local vendors. “Don’t give your tobacco to local vendors. Vendors will buy your tobacco at MK185 but they will sell at \$1(then \$=MK380). Don’t run away from your debts-plan how to repay your loans and how to improve your lives.” The other part of the lecture included advice for farmers to grade their tobacco properly and avoid mixing grades as that is the major cause for farmers fetching low prices on their tobacco. He further advised farmers to make sure non tobacco related material (NTRMS) such as feathers, sand, sack twine etc do not find their way into their tobacco. There was considerable excitement among the farmers and it was clear that they were expecting good prices for their tobacco. They asked the company to help them with transport to ferry tobacco to the auction floors. As the farmers rose to leave, the agent shouted over the top of their voices to remind them about their debts again. “Remember the company made it possible for you to grow tobacco-we provided the seed, the fertilizer and the pesticides. Now it’s your turn to show appreciation. You know what to do!”

It is clear that the terms of this journey are one sided, and are only what the company chooses them to be. On all farmer expectations, based on the contract agreement, leaf companies have been known to fail their contracted farmers. Transportation of tobacco to the auction floors is one process fraught with risk for the farmer. Tobacco transport contractors will collect tobacco from farmers, but rather than take it to the auction floors right away, they have been known to dump it either at their home or work yard, as they try to collect tobacco bales from as many farmers as they can before taking it all together to the auction floors. The tobacco bales then sit in the transporter’s compound, exposed to rain and sun for weeks, sometimes even months. Meanwhile the farmers will be wondering as to why their tobacco is taking such a long time before reaching the auction floors. This has been a long held complaint from the

farmers and they repeatedly ask the leaf companies for help. Despite promising to help; year in- year out, the companies never come through, much to the disappointment of the farmers.

Figure 6.6: Loading Tobacco Bales for the Market



In an even more blatant disregard for a contract agreement, in the 2015 selling season leaf companies routinely refused to buy tobacco even from their contracted farmers; forcing the farmers to try their luck on the open auction. On companies being the farmer's "voice" to lobby for better prices, one wonders how this is supposed to work when the companies are responsible for deciding what prices to give to the farmer.

Farmers interviewed about their experience working with leaf companies expressed uneasiness about not getting a written document specifying the terms of the contract. The only document these contracted farmers were able to show were delivery

notes showing that inputs had been delivered to them. But even this document didn't specify how much the inputs were worth, the fees or the interest rates. Another anomaly with this 'contract' arrangement is that tobacco leaf buying companies do not disclose to their 'contracted' farmers the prices they plan to offer for their tobacco prior to the start of the growing season. And if that is not enough, farmers are not told how much they owe at the outset. In the 2014/15 season which ran from August 2014 to July 2015, not one grower from the case study households interviewed in March 2015 knew exactly how much they owed the leaf companies they were contracted to. In essence, the contract is a verbal understanding of how much tobacco the club is supposed to produce and sell to the leaf company. These are communicated via group training sessions. Obligations of the company to the farmer are never detailed in black and white. While contracted farmers are happy about getting financing and receiving extension advice, they are keenly aware of these contradictions in the 'contractual' arrangement. One characterized the relationship as "like being a tenant for the company" (Fanwell, June 2014).

On his part, when the farmer surmises that he is only working to repay the company loan, with no profit in sight, he may choose to side-sell his tobacco. This is where farmers sell their tobacco using other registration numbers to avoid repaying the loans and other levies. Farmers involved in this practice told me that they are forced to do this because they need to pay debts, pay workers and keep some money for themselves. Side-selling happens when farmers under-produce due to poor rains or other agricultural dynamics. They may also side sell to avoid other factors as well, such as the cumbersome marketing process.

Representatives of tobacco companies emphatically told me that it was not possible for any one farmer to be contracted to the company and not have a contract document. They considered it a serious violation that would lead to the dismissal of the Leaf Technician (company extension agent) involved. However, conversations with officers of the Tobacco Control Commission (TCC), the main regulatory body of the tobacco industry, revealed that the commission was in battles with tobacco companies on their lack of transparency, particularly on the contractual terms with farmers that failed to show how much farmers owed at the outset of the loan agreement.

While contract farming has enabled farmers to keep growing tobacco in the absence of reliable financing, it does so based on an unsustainable and unequal arrangement between the farmer and the company. It has also started a process of social stratification by creating categories of farmers who are left outside the system to struggle towards an uncertain future, and another category favored by tobacco companies, who are expected to do well under the arrangement. Among my household case study households, all farmers who made profit from their tobacco in 2015 were on contract with one tobacco company or another. As will be discussed below, this is because tobacco leaf companies prioritized buying from their own contracted farmers over non-contract farmers. The arrangement with government was that leaf companies would source 20% of their leaf from contracted farmers and 80% from the auction market. Leaf companies ended up sourcing over 60% of their leaf from contracted farmers. Contracted farmers also received better prices than non-contract farmers. Although many farmers aspire to be on contract, not everyone can be on contract because of financial and technical restrictions. Those who are on contract are an envied group, admired by the rest. James, a young man who by the time of the interview had not started farming on his own but took on casual labor jobs shared his aspirations for the future with me. “I want to work hard and find myself a farm plot. Maybe then I can join a club and get a contract with one of the tobacco companies.” One of the participants in the household case studies, Willard, regularly got together with members of his club in the evenings over local beer. They kept to themselves and bought copious amounts of beer, just for their own group. The normal drinking practice among people from the same village, is that for a start, one person would buy for everyone. This is referred to as “throwing a round”. After the first round, the next person would throw another round and so on. William’s group, flush with tobacco money, kept to themselves, not allowing non-members to partake in their beer. To join this elite group, apart from being a good farmer, one needs to have good networks of friends to vouch for his standing as a person and as a farmer. Having gotten in, one needs to manage these relations with peers and with tobacco companies. Failure to manage these relations may result in one being ostracized from the group, severing links with the tobacco company and ultimately diminishing one’s chances of growing tobacco

in future.

Throughout the time I interviewed growers for this study I had to deal with the contradictions on how the growers could, on one hand be thankful for the companies assistance and be keen to work with them, and yet on the other express dissatisfaction with how the companies were doing things. Ultimately, I realized that growers have to make critical decisions considering the limited options they have. The grower may rationalize that it is more important to get inputs than to insist on a written contract document. Or a grower may rationalize that he needs to get a foot hold into the system and worry about the problems later. Or most likely, growers are grateful for the inputs and technical assistance they receive from tobacco companies and they are prepared to look beyond the unpalatable aspects of contract farming. As growers weigh their options in this way, they are exercising agency over the few matters that are still in their control. They are weighing the benefit of a stable market over being legally savvy (in cases where the system worked without a glitch). As further evidence of growers exercising agency, some growers have chosen to away after determining that contract farming scheme is no longer serving their interests.

## **6.6 Changing Relationships: The State and Leaf Companies**

The relationship between the State and the leaf companies has also undergone a major shift in recent years. The consolidated position of the three major leaf buyers Limbe Leaf, Alliance One and Japan Tobacco International, coupled with the government's weak financial position have led to a dynamic of power in the political economy in favor of the tobacco companies. Malawi's dependency on tobacco as the main foreign exchange earner makes the leaf companies mediators of Malawi's access to foreign exchange. This gives tremendous power to the leaf companies to dictate their will on the State. Secondly, lack of capacity for research on levels of demand, and attributes of Malawian leaf in comparison with leaf from competing countries means that the government doesn't really know the actual quality of tobacco produced in Malawi. The government depends on the industry for this information. Furthermore, lack of knowledge on global industry trends puts the government at a disadvantage when it comes to negoti-

ating better prices for tobacco. In addition, years of poor economic performance, natural disasters and the withdrawal of economic aid from donors has backed the government into a corner where it desperately needs foreign exchange and tobacco companies are the only sure way of getting that. The local tobacco industry has used its position in the local political economy to perpetrate some practices to undermine the country's tobacco growers. Here are a few examples of how the industry has undermined the economic prospects of country.

### **Operating a Cartel/Manipulating prices**

Two major leaf buyers; Alliance One and Limbe Leaf have been accused of colluding to undermine the competitiveness of the auction process. An investigation by the Anti Corruption Bureau (ACB) in 2005 concluded that Limbe Leaf Ltd and Alliance One Ltd operated a tobacco cartel (ACB 2005). Buyers from these two companies assigned each other quotas on how much leaf each company was going to buy on a particular sale day. Accounts clerks from both companies kept a tally of how many bales each had bought and leaf buyers were warned by colleagues whenever they exceeded their allocated quota (ACB 2005, IDE-JETRO<sup>23</sup>). Otanez et al (2007) argued that this collusion was responsible for the average price drop from \$1.66/kg in 1996 to \$0.99/kg in 2005. From interviews conducted during the study, respondents within the industry confirmed the existence of such malpractice. Government, through the Tobacco Control Commission, failed to take any decisive action then, and by some accounts this practice still continues up to the present. When asked about collusion among buyers with the aim of depressing prices, an executive at the auction market candidly replied, “we know it happens. It’s just that it’s hard to prove “

### **Leaf Smuggling**

In previous years, leaf companies have been implicated in smuggling of tobacco into Malawi. In 2003, 91 million kgs of Malawian tobacco were diverted to Zambia, and Mozambique and re-imported into Malawi as Zambian or Mozambican tobacco. In 2005,

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<sup>23</sup> [http://www.ide.go.jp/English/Data/Africa\\_file/Company/malawi02.html](http://www.ide.go.jp/English/Data/Africa_file/Company/malawi02.html)



smugglers moved 50,000 tons of tobacco across Malawi's borders (145, 000 of tobacco was sold on the Auction floors in Malawi). Alliance One and Universal Leaf in these neighboring countries gladly bought the smuggled leaf on the other side of the border, and shipped it to processing plants in Malawi (Otanez et al 2007). Through this practice, the Malawian government loses revenue that could have been collected from the auction floors, and the companies avoided paying taxes. In 2015 statistics indicated that Malawi loses \$30m a year due to tobacco smuggling (Christopher Jimu, Malawi Nation Online, 2nd April 2015).

### **Hijacking Policy Processes**

There has been an easy relationship between government agencies and the tobacco industry with industry executives routinely sitting on government advisory committees (Otanez 2007). Furthermore, the tobacco industry has used countries like Malawi to push litigation to challenge anti-tobacco public health measures in other countries. Malawi, considered an insignificant tobacco consuming economy, joined a lawsuit as a third party to prevent the Australian government from implementing tobacco packaging and advertising regulations meant to reduce demand for cigarettes<sup>24</sup>. The industry has also been active in shaping discourse on the global anti-tobacco regulatory frameworks in Malawi. The industry has informed Malawi's resistance to the FCTC. The Malawian government stance on FCTC takes issue with Articles 17 and 18 which, interestingly, are of direct relevance to Malawi. Article 17 of the FCTC requests member signatories to help farmers dependent on tobacco to switch to other economically viable livelihood options. Article 18 empowers member signatories to take all measures to prevent environmental degradation. Of all the substantive articles of the FCTC, these two are the most relevant to Malawi as a producing country. Institutions of the Malawian government and key stakeholders including TAMA and TCC have parroted industry logic stating that they need to see viable alternatives first before switching<sup>25</sup>. Considering how heavily dependent the country is on tobacco and the environmental damage caused by tobacco (Otanez

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<sup>24</sup> [https://www.wto.org/english/tratop\\_e/dispu\\_e/cases\\_e/ds434\\_e.htm](https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds434_e.htm)

<sup>25</sup> Article on TAMA President's views on replacing tobacco in Malawi <http://www.capitalradiomalawi.com/news/item/6913-contrasting-views-on-malawi-s-quest-to-replace-tobacco>

et al 2008) it is hard to imagine why the government response has been to spurn the opportunity to have global partners help with economic livelihood diversification.

### **Sabotaging the Auction Market**

It is common knowledge in the industry that leaf companies want government to abandon the auction market in favor of contract marketing. What is shocking is the blatant and overt tactics they have pushed their weight to get their wish after meeting resistance from government. Leaf companies resorted to openly discriminating against growers who present their tobacco on the auction market in preference for contracted growers. Growers related that leaf companies routinely reject leaf on auction on grounds of poor quality, only to buy the same quality under contract market. Data provided by Auction Holding Ltd (See Table 6.5) shows clear differences between prices paid for leaf on auction as compared to leaf on contract market. Even under contract sales, the growers who got loans from leaf companies fetched more money as compared to those who only had a marketing contract. In 2015, a non-funded contracted burley grower earned 12.5% more per kg than a grower who sold on auction, whereas a funded grower earned 8.9% more per kg than a contracted but non funded grower.

Even while the contract marketing arrangement was in its nascent stages, despite agreements between government and industry to maintain a ratio of 20-80 between contract and auction markets, i.e, leaf companies undertook to buy 20% of their leaf needs on contract and 80% on auction market, leaf companies privileged the contract arrangement<sup>26</sup>.

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<sup>26</sup> <http://mwnation.com/tobacco-buyers-defy-ips-auction-sales-plan/>



Table 6.5: Leaf Price Comparison: Auction vs Contract 2015

MARKET		TOBBACO	WEIGHT	VALUE	AVERAGE
TYPE		TYPE	SOLD(Kg)	US\$	US cents/Kg
AUCTION		BURLEY	28,675,513	41,897,908	146.110
	EX CONTRACT	BURLEY	1,679,319	2,191,454	130.497
		FLUE	1,731,538	2,723,703	157.300
	EX CONTRACT	FLUE	415,878	620,219	149.135
		NDDF	67,660	147,692	218.285
		NDDF	1,135	2,230	196.488
		SD FIRED	3,603	7,607	211.122
<b>TOTAL AUCTION</b>			<b>32,574,646</b>	<b>47,590,811</b>	<b>146.098</b>
CONTRACT	NON-FUNDED	BURLEY	73,943,297	121,580,641	164.424
		FLUE	3,713,923	9,061,354	243.983
		NDDF	445,629	881,081	197.716
		SD FIRED	74,829	166,819	222.933
	<b>TOTAL NON FUNDED</b>		<b>78,177,678</b>	<b>131,689,894</b>	<b>168.449</b>
	IPS-FUNDED	BURLEY	63,950,105	114,539,949	179.108
		FLUE	17,198,729	41,794,713	243.010
		NDDF	778,610	1,765,851	226.795
		SD FIRED	-	-	-
	<b>TOTAL IPS FUNDED</b>		<b>81,927,444</b>	<b>158,100,513</b>	<b>192.976</b>
<b>TOTAL CONTRACT</b>			<b>160,105,122</b>	<b>289,790,407</b>	<b>181.000</b>
<b>GRAND TOTALS</b>			<b>192,679,768</b>	<b>337,381,219</b>	<b>175.099</b>

Source: AHL 2015

The transgressions of the leaf companies and the reluctance of government to act decisively to curb the malpractices point to a shift of balance of power from the state to the leaf companies. On a visit to the auction floors, farmers shut down the auction market to protest against low prices (see figures 6.7 and 6.8). One of the complaints from growers was that TCC who are supposed to represent the interests of the farmers were simply looking on as leaf buyers continued to reject good tobacco and pay low prices for the tobacco they bought.

Figure 6.7: Growers Protest at Lilongwe Auction Floors



Figure 6.8: Growers Protest at Lilongwe Auction Floors



For failing to regulate and control the behavior of buyers over pricing and other serious transgressions, the TCC has lost the confidence of industry analysts. Other studies have shown that the TCC is rendered ineffective by vested interests. A study into the competitiveness of the tobacco sector in Malawi, found that the TCC Board includes members of the Tobacco Exporters Association of Malawi, a powerful grouping of players in the industry including leaf merchants who happen to be the very same people it is supposed to regulate (UNCTAD 2011). In the tobacco industry there is a blurred line between the regulator and the regulated.

Another form of changing relationships is when the supposed voice of the growers plays more to the interest of the industry as demonstrated by the case of TAMA. As the largest and oldest growers association, TAMA has been unable to effectively stand up to the exploitation of their members by leaf companies. Their policy positions identify more with the industry than with the growers. As an example, the industry is reeling

under accusations for being complicit for existing poor working conditions for tenants and other farm workers (see CFSC 2015; Otanez 1994; Kanyongolo and Mussa 2015; Kafundu 2005; Kuppens 2005). Having signed a collective bargaining agreement with the Tobacco Tenants and Allied Workers Union of Malawi (TOAWUM), the biggest union representing tobacco workers and tenants, which would have seen TAMA and TOAWUM work together for improved conditions of tenants and tobacco workers, TAMA refused to honor their side of the bargain and eventually pulled out of the agreement (Sidewalkradio.net n.d)<sup>27</sup>. There is nothing on record to suggest that the biggest tobacco growers association ever took up the issue of poor working conditions with the industry. Recently, TAMA acquired shares in Premium Tobacco Company, a tobacco processing company. TAMA insists that they bought shares of the company on behalf of their members to ensure that as co-owners, TAMA members will benefit from profits from processing and export of tobacco. Being co-owner of a processing company may entitle TAMA to join the Tobacco Exporters Association of Malawi (TEAM), a powerful grouping of tobacco exporters. This is the same group to whom growers' associations like TAMA are supposed to negotiate for better prices for their members. This further complicates the relationships in the tobacco industry leaving doubts as to whether any one entity is available to be the true representative for growers' interest.

## **6.7 Conclusion**

This chapter has noted that the reconfiguration of the structure of the global tobacco industry, and the resulting instability of the industry in Malawi is a constellation of several global processes affecting the production, marketing and consumption of tobacco. The chapter has also shown that these processes have profound economic and social consequences on national economies and the livelihoods of smallholder tobacco growers. Through this chapter and the previous chapter on the institutional context of tobacco production and marketing in Malawi, I underscore the fact that these changes in the global political economy of tobacco structure are filtered through the dynamics of local history and agrarian relations, and the economic, political

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<sup>27</sup> <http://www.sidewalkradio.net/?p=23>

and social institutions that underwrite tobacco production in Malawi. For this reason, I argue that while the industry is going through changes at a global level, it is not necessarily a global crisis of tobacco yet. On the contrary, because of unwieldy and opaque production and marketing structures in Malawi, the country experiences these changes as a crisis for the local industry. Studies of livelihood crises among small commodity producers need to examine the social, historical and political contexts of the production and marketing of a commodity as a backdrop for framing commodity crises.

## **Chapter Seven: Responses to a Changing Tobacco Economy: Perspectives from the Field**

*“Yeah, tobacco has a future, but for the government -not for us growers”*

### **7.0 Introduction**

This chapter integrates insights from observations and interviews with growers, industry executives, regulators, government bureaucrats, and observers of livelihoods at Kumala to provide a picture of how smallholder tobacco growers understand and place the livelihood crisis within a specific agrarian context. This context comprises a liberalized economic /agricultural regime where multiple institutional actors play much more pronounced roles in shaping rural agricultural livelihoods. Still more, this context is referenced back to historical relations between the state and smallholders. The chapter also describes how smallholder producers use their understanding of their context to relate to the structural and institutional changes within the global tobacco industry. This understanding undergirds a discussion of the influence of government and companies, through action or inaction, in shaping growers perceptions of the crisis. The chapter further discusses the specifics of how tobacco growers at Kumala are responding to the current market instability by employing a traditional repertoire of practices for coping with livelihood stresses and by embracing new institutional arrangements to secure their livelihoods for the future. The chapter ends with a discussion on how an unstable tobacco market impacts the rural landscape through processes of labor movement and land stratification.

### **7.1 Perceiving Risk from Market Instability**

For the first in-depth interviews, focus group and group discussions, I posed questions to gauge respondents' perception of the general state of farming as the point of entry before narrowing down to specifics of tobacco farming. The idea was to understand what they considered to be the main challenges to farm based livelihoods and if they perceived instability in the tobacco market as a serious challenge. The summary of



responses are shown in Table 7.1 below.

Table 7.1: Perception of Farming Challenges

Challenge	Frequency of Responses
Poor /erratic rains	37
Low tobacco prices	35
Tobacco disease	2
Lack of inputs	27
Exchange rate fluctuation	23
Export License/Trading Permits ban	17

Note:

*Results from 33 case study households, three group interviews, and three focus group interviews.*

*Respondents were free to give more than one response. Responses from GI and FGD are classified as one even if repeated by different participants.*

Erratic rainfall was cited as the major challenge, followed by low tobacco prices. The fact that, of all non-weather related challenges, low tobacco prices was high on the list allowed me to launch discussions about instability of the tobacco market. Many of the respondents related that they knew that the tobacco market is unstable, citing low prices in recent years, and the fact that it took long for their tobacco to be sold. Respondents remarked that it was now common to hear that many bales were rejected at the auction market. When I asked them if this was because of bad farming on the part of individual farmers, they replied that the very same growers were able to make a fortune out of tobacco in years past. “In a good season you would see people buying stuff, especially clothes and building houses. You don’t see that these days,” one respondent remarked (Freeman, August 2015). While acknowledging that the tobacco market had been unstable in recent years, the farmers framed it as something they expected to pass. I asked respondents to recall past livelihood crises and relate how they had dealt with them. Respondents recalled multiple crises from the past. Among the notable ones, was the 1995/96 crisis when they experienced severe food insecurity and many people went

into *ganyu* labor to survive.

Even when they found piece work it didn't pay much. Respondents recalled that working on one acre (land preparation) only got them one pail of maize. In 2012 they also experienced severe food insecurity and maize prices went up. According to the respondents, the price of one pail (a five liter bucket) increased from the normal price of MK400/5kg to MK1000/5kg (FGD at Kumala, October 2014). Crises specific to tobacco include the 2004 crisis when hail storms destroyed the tobacco crop in the field. Growers failed to repay their loans and credit companies dispossessed livestock from defaulters. Many people stopped growing tobacco at that time. The other notable crisis was that of 2011, the "80 cents season". Again a lot of growers failed to grow tobacco the following season as a result of lack of resources. In the aftermath of all these cases farmers relied on tried and tested practices to earn an income and rebuild their capital base. These practices included selling assets like livestock, oxcarts, and bailing presses, going into *ganyu* labor on farms in the area, and seeking temporary employment in town. They also scaled back on tobacco to grow low-resource crops like groundnuts and soy to raise enough capital to go back into tobacco farming.

## **7.2 Perception of Causes of Tobacco Market Instability**

Following the understanding that tobacco markets were unstable, I asked respondents to relate what they thought was causing the market instability and the declining of earnings from tobacco. This question was intended to determine their understanding of the structural causes of the crisis. Common responses to this question are shown in Table 7:2 below.



Table 7.2: Perceptions of Causes of Tobacco Market Instability

<b>Response</b>	<b>Frequency of Responses.</b>
Self blame	12
Blame Politics	6
Marginalization/Exploitation	18
Resignation to Fate	18

*Note: Results from 16 grower case study households, 3 Group Interviews and 3 Focus Group Interviews. Respondents were free to give more than one response. Responses from GI & FGD are classified as one even if repeated by different participants.*

While the respondents did not relate fluctuating and declining incomes to changes in the structure of the global tobacco industry, they mentioned proximate and highly relatable possibilities. These responses show that growers view their troubles through the lens of the organization and management of the industry. Explanations for the common responses above are explained in detail as follows:

### **Narratives of self-blame**

This response shows that some growers faulted themselves for receiving low prices. At its core, this response points to a narrative among tobacco growers that says if a grower received low prices, it means they did not take adequate care of their tobacco. Inadequate care means that either the grower did not apply adequate fertilizer and pesticides or they did not do a good job on grading. This view was forcefully pronounced among those growers with connections to leaf companies. Take the example of Edward. Edward is a mid-stage grower who accesses inputs from someone contracted with Alliance One (he had initially been included among the case study households as a non-contracted grower - when I found out the source of his inputs I still categorized him as a non-contracted grower who uses alternative means to access inputs). He vouched for the future of tobacco and his stated desire was to become a contracted farmer himself. When I asked him about the low prices growers have been getting in recent years

he replied, “If the price is bad, it must be the farmer’s fault. If the grading is done well; if every farmer graded according to instructions, then the future of tobacco would be bright.” (Edward, September 2015). One farmer went as far as suggesting that growers encourage corruption at the auction market, and that is what is ruining the tobacco market these days. I assume that from his experience seeing growers having to pay various bribes in the tobacco logistics chain as well as bribing leaf buyers at the auction market, he thinks of growers as initiators and beneficiaries of these malpractices and not as victims of a broken system.

While the above sentiments could be viewed as an honest grower’s self-assessment, they also need to be evaluated in relation to the messages coming from the tobacco establishment and the government. Ministry of Agriculture, TCC, TAMA and leaf companies have for years sent out this message to tobacco farmers. According to the establishment, the cause for poor prices is over-production and lack of attention to quality. But as shown in chapter 6, and as other stories in this chapter will show, even well graded tobacco has fallen victim to poor prices. There is need for a credible study to examine the relationship between the quality of tobacco and the prices farmers receive. Without this assessment it is difficult to know if sentiments from people like Edward are a result of a grower’s honest assessment, or if they are a result of growers’ internalization of messages from the tobacco establishment.

### **Blame the Politics**

Some respondents responded that the tobacco crisis is caused by politics and politicians as prices offered to tobacco growers are dependent on what politicians do. They pointed out that in the past, the strong leadership of ex-President Bingu wa Mutharika forced leaf companies to pay good prices. The implication is that weak political leadership is letting tobacco companies get away with paying growers low prices. Other respondents took a different angle and blamed poor prices and an unstable market on government’s victimization of the tobacco industry. As one respondent put it, “The government is over-taxing the tobacco industry. That is why they pay low prices to growers” (Daniel, September 2015).

## **Resignation to Fate**

Respondents who blamed the tobacco crisis on themselves, politics, tobacco companies or the government were more likely to resign themselves to fate and indicate powerlessness about the situation. The common expression was “It is God’s will.” This is a popular phrase among Malawians when they discuss things they don’t entirely comprehend or things about which they feel powerless, such as illness, death or other tragic events. Other common expressions like “*Masiku sakoma onse* - not all days can be good,” and “We take a chance and hope that next time we will get better prices” suggest that those individuals saw fluctuating prices and having their tobacco rejected at the auction market as an inevitable part of a tobacco farmer’s life.

## **Perceptions of Marginalization and Exploitation**

Some respondents expressed awareness of their own marginalization and exploitation. They viewed an unstable tobacco market and declining incomes as the creation of an exploitative tobacco establishment, working in tandem with a government that not only condones it, but actively participates in the exploitation of its own people. In a follow-up interview to evaluate the preceding growing season, a case study respondent expressed dissatisfaction with the way the season had gone. “Look, the village had a lot of tobacco this year but there is no ‘*chitukuko*’ (development)”, he said. “No one put up an iron roofed house this year. Farmers are just working for the companies” (Freeman, September 2015).

In group discussions or in forums where low prices and the unstable tobacco market were discussed, farmers denounced the opaque and inefficient system but also lamented at their lack of voice in marketing and regulation processes. The main sentiment was resentment against government and its institutions for inefficiency and for the various policies that make rural farmers’ livelihoods difficult. Two institutions came under the fiercest criticism and these are AHL and TCC. Whereas AHL was attacked for its cumbersome procedures and for creating a corrupt environment, TCC was accused of being inefficient and for failing to heed the voice of the growers.

### **7.3 Growers' Perceptions of Auction Holdings Ltd**

AHL is the only entity authorized to run tobacco auction markets. It is charged with receiving and bringing growers tobacco to the floors, conducting the auction sales, and remitting money into growers' accounts. Growers regard AHL as inefficient, and the auction market process itself as impersonal and intimidating to farmers. Growers felt that they needed to have a voice to lobby or influence price decisions on their own tobacco. "It would be better if the buyers discussed the prices with us- as farmers we have no say in the buying process," one said (Limbani, September 2015). Some respondents, especially those who were on contract and those who had been to Mozambique and had seen an alternative marketing system, noted that an impersonal marketing system made it impossible for growers to get a sense of the future viability of their tobacco. As one respondent remarked, "There is no contact with buyers and no negotiation- no way to know what's wrong with your tobacco. It's a game of chance we play. We grow and they exploit us," (Adams, September 2015). Even among growers contracted to leaf companies, their most common request is for the company to liaise with buyers on their behalf and ask for better prices.

The other common complaint against AHL was the cumbersomeness of logistics of getting the leaf to the auction floors and the corruption that has been entrenched in the process. In individual interviews respondents would say "auction is for the big farmers", pointing at the cumbersome logistics of getting tobacco to the market. Others were more critical about the corruption associated with the auction market. As one respondent put it, "Auction just paves the way for a lot of profiteering middlemen to reap on the sweat of small farmers- there is no way a small farmer can develop"(Bright J, December 2014).

### **7.4 Who Speaks for the Farmers? Tobacco Growers' Perceptions of TCC**

Tobacco Control Commission is the regulating agency for all matters related to tobacco in Malawi. In group and individual interviews, growers criticized TCC for being an inefficient bureaucracy, and for not protecting growers from exploitation by leaf companies. Growers lamented about the struggles they have to go through to register for permits and quotas, but the bitterest complaint was about the inability of TCC to ensure

that farmers receive good prices commensurate with the quality of their tobacco. Every year, prior to the beginning of tobacco sales, government publishes minimum prices for specific grades. TCC representatives are empowered by law to arbitrate on behalf of farmers if leaf buyers start paying less than prescribed minimum prices. Growers related that they felt that TCC was not keen to exercise its power on their behalf. This gave rise to sentiments among growers that TCC is in cahoots with leaf companies. In a focus group discussion at the auction floors, growers expressed dissatisfaction with the fact that a lot of tobacco had been rejected that day and that buyers were offering low prices. They were also incensed by the fact that lower quality tobacco filings were bought at the same price as good quality leaf. The fact that a TCC representative was there, and he went along with the low prices further infuriated growers. It is things like this that give rise to speculation that TCC is allowing leaf companies to rob the growers.

These sentiments show that smallholder growers blame the market instability on the institutions charged with facilitating and regulating the tobacco market. Growers think that if these bottlenecks were to be straightened out then the low prices and excessive rejections will stop, and growers will prosper again. Both TCC and AHL are known to be government entities (although state owned ADMARC only has 51% stake in AHL). Growers feel that the tobacco system is rigged for the benefit of government, tobacco companies and their staff. One grower lamented “only the workers at AHL are getting rich- *magalimoto onse mukuona apawa palibe po ya mlimi pamenepa, onse a ogwira ntchito kuno*- all these cars you see, not one belongs to a grower. They all belong to people who work here” (FGD 1 at AHL, 5th June 2015).

### **Trading permits, Export Licenses and Exchange Rate Management**

Away from tobacco sales settings, more resentment was directed towards government for policies and machinations that are perceived to be working against small farmers, including the regulation of produce export licenses and the management of the exchange rate.

Ministry of Agriculture issues trading permits and export licenses for businessmen who buy produce from small growers with the intention of exporting to

markets abroad. Following assessments of levels of production in a particular year, the Ministry sometimes decides to restrict exports of specific types of crops deemed to have fallen below expected levels of production. This is done ostensibly to protect national supply. Exports of maize, the national staple food, are subjected to such bans with a remarkable frequency. These restrictions are contentious as they are often issued without prior warning, leading to inconveniences in the market. For example, once a ban on say, groundnuts or soy has been issued, traders stop exporting and hoard what they have. But this also means they stop buying from small producers, and if they do buy at all, they offer lower prices. In a focus group discussion, participants denounced the chaotic manner in which these export restrictions are issued. One participant questioned if government was really keen to see tobacco farmers diversify away from tobacco, saying, “Government has just revoked export licenses for groundnuts. These are the kinds of things that make it impossible for people to find alternatives to tobacco” (Group Interview at Kumala, September 2014). This sentiment was further confirmed by an agro-dealer who has observed the progress of agriculture in the area for many years. He argued that frequent government bans on maize export permits reduces the viability of maize as a cash crop.

Another contentious issue was the fluctuation of the local currency’s exchange rate to the dollar. There has been a pattern in recent years where the Kwacha’s exchange rate to the dollar has been fluctuating. Observers note that the Kwacha usually gains on the dollar around the beginning of the tobacco market. After the market, the Kwacha starts to weaken. This means that a strong Kwacha allows leaf buyers to buy more tobacco for the dollar, but at the time when growers need to buy inputs, the Kwacha is less strong. As a result, prices of inputs, most of which are imported, go up and growers need to cough up more Kwacha to pay for inputs. There could be a rational explanation for this but some analysts and the farmers themselves fear that government is rigging the system against farmers for the benefit of input suppliers. This sentiment was expressed strongly by participants in a group interview. In an individual interview a respondent took it a step further to suggest that the fluctuation of the dollar is what sends people (into labor migration) to Mozambique (Manfred, September 2015).

For all the respondents who blame themselves or resign themselves to fate over the instability of the tobacco market, there are many more respondents who blame the government and its institutions for allowing the exploitation of smallholders and for perpetuating policies that harm their interests. These sentiments must be read against the background of the role of the state in agriculture and its fractious relationship with the smallholders. In recent years, government has adopted a populist stance where it has promoted input subsidy programs meant to benefit smallholders, of which the Farm Input Subsidy Program (FISP) program is the most popular. Recent administrations have used this and other subsidy programs to reach out to the masses to demonstrate their commitment to the smallholder farmer. In addition, government has sought to reassure tobacco growers that it is concerned with their welfare. At the beginning of the tobacco marketing season, government usually publishes statements saying it has negotiated with leaf companies to give farmers good prices. Typically, on the day of the opening of the market, the President either issues a stern warning or begs leaf companies to give growers good prices. As it often happens, the first trading day buyers offer good prices, but after that growers start receiving poor prices. Fieldwork revealed that not all tobacco growers are taken in by these performances from government. Having gone through successive cycles of broken promises at the hands of several administrations, there is an anger among smallholders that government does not prioritize their interests. Smallholders express powerlessness at the way their governments have treated them, a pattern that can be traced from colonial times.

*“Although government likes to say they care about us poor farmers, they don’t care about us at all”*(Group Interview at Kumala, September 2014).

*“Tobacco is difficult work - from August/Sept hard work in the fields -borrowing money for consumption and yet you get measly pay - the whole rhetoric about the government caring for the rural farmer is a load of nonsense”* (VH Chitika, June 2014).

*“Who are we? Who is a tobacco farmer? The government only works for the companies” (FGD 2 at AHL, 27th June 2015).*

There is the realization that government’s treatment of smallholders is not just a matter of innocent negligence, but that government is making money off farmers. As one grower put it’

*“Yeah, tobacco has a future, but for the government –not for us growers” (FGD 2 at AHL 27th June 2015).*

These responses show that there is a range of perceptions as to what is causing instability and low prices on the tobacco market. There are those who blame themselves for not being diligent as growers and therefore bringing poor quality tobacco to the market. Other growers lay the blame on politics and politicians as they believe that tobacco prices are dependent on who is running the government and what they decide to do for farmers. Then there are many who relate tobacco’s misfortunes to government through its inefficient institutions and its purposeful exploitation of tobacco growers. In all, most growers think that if all these issues were sorted out, tobacco markets would work better again. Other grievances are not specific to tobacco but include policies like the management of the exchange rate and the administration of trading and export permits that make rural livelihoods unstable.

### **Perception of Structural Changes in the Industry**

As a way to engage growers on the structural and institutional changes taking place in the industry, I asked them to describe changes taking place in tobacco farming and marketing. Older and mid-stage growers talked about changes in marketing from the days when they used to grow dark fired tobacco and were only allowed to sell to ADMARC. They contrast those days to the current times when they have direct access to the auction market. These respondents also talked about how the closing of credit



companies like Malawi Rural Finance (MRFC) has reduced opportunities for access to credit. On current changes most were able to tell that there has been increased involvement of tobacco companies in leaf production through financing and technical support towards growers. Respondents notice that more extension agents (Leaf Technicians) are now coming to advise them on growing tobacco, an area that was once the preserve of government extension services. With the involvement of companies, growers also notice more stringent standards for production required at the farm level. When I asked about the implication of these changes on farming in general a grower replied that

*“Now farmers need to be knowledgeable about procedures at auction market and about processes at the banks. They also need to be knowledgeable about financial management. Poor wealth management means farmers get money but they waste it”.* (John C, September 2014)

Other growers complained about how company demands create a need for more labor, and how endless meetings reduce the time farmers can dedicate to other crops. On the whole growers see the changes in a positive way. They relate that with the increased cost of production and restricted access to credit, the coming of leaf companies is a stitch in time.

### **7.5 Perceptions of Long-Term Viability of Tobacco Farming and Adaptive Responses**

Having talked about instability and the institutional changes in the tobacco industry, I asked respondents about their general perception of the future of tobacco farming. Following their responses to this general question, I specifically asked about their perception of the long-term viability of tobacco farming in relation to a hypothetical risk event - the abrupt cessation of marketing of tobacco products as a result of global initiatives to reduce smoking. This question was intended to measure whether respondents who perceived the future of tobacco to be in danger, went on to pursue adaptive strategies. A summary of responses are shown in Table 7.3 below.

Table 7.3. Perception of Long-Term Viability of Tobacco Farming and Adaptive Responses.

Response	Frequency of Response.	Adopted Long Term Adaptive Strategies
No perception of long term trouble	19	None
Tobacco is in trouble	10	3

*Note: Results from 29 grower and non-grower case study households. Adaptation counts for only those who have tried tobacco and abandoned it. Adaptive strategies means crop or economic diversification away from tobacco.*

Among case study households, 10 respondents out of 29 responded that they felt that the current instability in the tobacco market signified the possibility of a long-term decline of tobacco. An ex-civil servant who began growing tobacco prior before burley was liberalized stated that he knew that tobacco is on a downward trend. He claimed that he started noticing a downward trend from the 2007/2008 season.

Other respondents mentioned that they had heard on the radio that some countries want to ban tobacco but they don't believe it. "*Ndife a Tomasi - we are (Biblical) Thomases,*" one said. "*We will only believe when bales of tobacco rot in our homes*" (Fanwell, December 2014). Another respondent said, "*We know about tobacco troubles but as long as the buyers are here we will still grow it*" (Freeman, October 2014).

Other sentiments suggested that growers were watching the actions of government. These respondents were in two categories. On one hand were those who were optimistic about the future of tobacco based on the fact that the Malawi government depends on tobacco for revenue. As one such respondent remarked, "*Boma limaona cholowa-government benefits from tobacco.*" (Daniel, September 2015). This assures them that government is not going to allow tobacco farming to be banned in Malawi. Other respondents related that they were waiting to hear directly from government. A participant at a focus group discussion remarked, "*We hear about efforts to stop tobacco farming but we need government to tell us what crop to grow*" (AHL FGD I 5th June 2015).

These responses further illustrate the effects of the historical relationship between smallholders and a heavy handed paternalistic state in shaping the adaptive capacities of smallholders. These responses are framed with smallholders' understanding of the

government's reliance on, and the control it exercises over the crop. These respondents were all too aware that government relies on tobacco for foreign exchange and that is why it regulates production and marketing. They are further aware that it is the same government that used to run produce markets as well as set commodity prices in the past. That is why it is so hard for them to comprehend the possibility of tobacco farming coming to stop in Malawi as they believe that the 'all-powerful' government would not allow that to happen.

Responses to my inquiry on the long-term viability of tobacco farming revealed that a small but significant number of respondents are aware about conversations where the future of tobacco farming has been debated. These growers know about the anti-smoking lobby and the moves taken by other countries to restrict smoking, yet they have no perception of the gravity of the matter. Not many have processed what the possibility of reduced trade in tobacco products means for the future of their livelihoods. Of the ten respondents who were worried about the long term future of tobacco, only three had taken long-term adaptive strategies. These three had ventured into crop and economic diversification activities that entirely excluded tobacco, such as alternative cash crops and business enterprises. One common thing about them is that they have grown tobacco before but they taken steps to exit tobacco farming on account of their experience with the market instability. I discuss these respondents in more detail in the section on Responses to a Changing Tobacco Economy below.

### **Tobacco Remains a Popular Crop**

Despite the wide acceptance among respondents that tobacco markets are unstable, findings from the study show that tobacco remains a popular crop. My initial expectation from the study was that if farmers were responding to poor tobacco prices by diversifying away from tobacco, then there would be a decline on the proportion of land dedicated to tobacco. Fieldwork has shown that responses to a changing tobacco economy at plot level will require a long-term observation. This is because smallholder farmers at Kumala have a portfolio of crops (maize, groundnuts, and tobacco) for cash and for consumption which they rotate among various farm plots. Occasionally, they may reduce acreage of a particular crop or fail to grow another for lack of inputs. In most cases, this is a reflection of last season's experience

with that particular crop, but it does not say much about long term changes in crop choice and farm livelihoods. This has implications on the interpretation of change of acreage dedicated to tobacco. Findings reveal that all but two growers in the case study households have experienced loss at the auction floors and ended up having no resources to grow tobacco the next season. This does not mean that they give up on tobacco. They resort to growing alternative crops such as groundnuts, vegetables and other low-resource crops with the hope that they can accumulate enough capital to get back to growing tobacco.

Tobacco remains popular with those who are currently growing it, as well as those who are unable to grow it. A close look at tobacco from the perspective of growers in different life-stages offers a way to explore the different meanings and motivations for supporting tobacco at each stage in a life cycle.

### **Young Stage**

For smallholders at the young stage, tobacco represents ambitions for the future. This is the group that is just starting out, typically under the age of 25, recently married and at most with two children. They may have recently established their own household or may still be living with their parents and in some cases they do not have farm plots of their own. Young farmers are more likely to be growing maize and groundnuts and in addition to farming, they may also perform other livelihood activities to supplement their incomes such as *ganyu* or chopping and selling firewood. They do all this with the hope of accumulating resources to go into tobacco farming. During the census when I asked young farmers why they were not growing tobacco, without fail they replied that they were “making a foundation (building capital)” so they can start growing tobacco. A typical story is that of Arnold.

#### **Story # 1: Arnold**

When I first interviewed Arnold, he was 24 years old and he had just gotten married. He was growing maize and groundnuts on three separate plots; one he received from his parents, one from his wife’s parents and the other he rented. Previously, before he got married he worked on his grandparents’ *dimba* plot. He also supplemented his income doing other things like *ganyu* labor. In addition, he had access to a dairy cow owned by his grandmother

from which he got milk and he shared the proceeds from milk sales with his grand-parents. When I asked him why he was not growing tobacco he replied that he was determined to grow tobacco the next year and that he was building a foundation.

Arnold was aware of the challenges of growing tobacco and the lack of inputs, especially fertilizer. He planned to get loans from either a company or from friends. In addition, he planned to sell maize from the *dimba* to buy fertilizer. He was convinced about the importance of tobacco. “In this area, tobacco is the chief earner as compared to groundnuts for example. Burundians will buy one bag of groundnuts (50kg) at MK10, 000 but one bale of tobacco (100kg) will fetch close to MK60, 000 at the minimum”. To him, in addition to making wealth, tobacco is about insuring oneself against the rainy day. “In February food is scarce in these parts, and tobacco is harvested in February. One can simply harvest some leaf, sell to vendors and get money to buy food”. Stories from the experiences of his peers who had done well with tobacco and bought assets such as oxcarts, cattle and motorbikes was also a major factor pushing him into tobacco. When I asked him what he thought about the low prices other growers were currently experiencing on the market, he replied that as farmers they get dismayed and they think about stopping growing tobacco, but when they think about eventualities, they still get back to growing tobacco to insure themselves.

When I interviewed him again the following year he had just sold his first tobacco crop grown on half an acre. He got four bales (approximately 400kgs) which he sold to vendors. He realized around MK180, 000 and with that money he had rented two more plots and was planning to expand his tobacco to one and half acres. He told me he had just bought six bags of fertilizer in preparation for the next season. “I’m still building a foundation,” he said.

#### Story # 2: Chimwemwe

Arnold’s story is typical in the diligence and dedication he applied to his work and the preparations for his future. One major difference is that he got a lot of help from his grandparents. To be able to produce and sell 400 kgs in his first year shows that he had relatively adequate resources. Not every young person is that lucky. At 20, Chimwemwe had been farming with his parents for four years. He had access to two acres of land but he did

not have the resources to get married and start his own farmstead. He went to Mozambique to work as a tenant to raise resources for farm inputs. When he got back after one season he took a wife and spent his savings to buy fertilizer.

These two stories show what tobacco means for young people. They may be growing maize and groundnuts but they don't consider themselves well positioned on the path to financial prosperity until they start growing tobacco.

### **Mid-Stage Growers**

This was the group with the most tobacco growers in the village. At above 25 years of age, growers in this group are well settled in their farming, relatively speaking. They are in an accumulative mode and see tobacco farming as a saving mechanism. As tobacco growers, they have had several market mishaps along the way but decided to keep growing anyway. They were more energetic, had accumulated some assets and were more likely to be on contract with one of the tobacco leaf companies.

#### **Story # 3: John C.**

Mr. John C has a household of five plus one worker. At the time of the first interview he worked on five plots; two of which were rented. He grew maize (two acres) groundnuts (one acre) and tobacco (two acres). In addition, he was also into produce trading. He bought textiles in town and exchanged them for groundnuts in the village. He then sold the groundnuts in bulk to other vendors from town. John started farming in 1998 soon after he got married. Initially he started with maize and ventured into tobacco two years later. Surprisingly he said it was the famine in 2001 that made him start growing tobacco. He had too much maize, but no money. He sold the maize to get money and ended up joining the ranks of famine victims. After initial teething problems in tobacco (he had joined a club and for a number of years he ended paying for club members who had defaulted on their loans, losing his own money in the process), things started to look up. In 2011 he got his own registration number and since then things have gotten better. John has gradually accumulated assets including farm plots. He is contracted with Alliance One and ever since he went on contract he thinks that prices have changed for the better. He has a brick and iron- roofed house, and

granaries with plenty of maize; all hallmarks of a successful farmer. On the future of tobacco he said he knows tobacco farming is a risky business. When I asked him if he was planning to diversify away from tobacco he replied that he could not diversify right away since he did not have enough fertilizer for maize. But he said if he were to stop growing tobacco, he would go into maize and groundnuts or go into another business. At the time of the first interview in September 2014 he was planning for the next season. He planned to dedicate two acres to tobacco even though in his words, tobacco had failed in the previous growing season.

#### Story # 4: Mr. Willie D's Story

Willie is contracted with Limbe Leaf Tobacco Co and his story is identical to John C. With the most rudimentary of education (four years of primary school), he started out as a ticket seller at Mitundu market and then became a laborer at a nearby farm. He got married in 1993 but only started farming on his own in 2009. 2015 was only his third year growing tobacco as previously he did not have capital. From an initial 1.5 acres inherited from his parents, he now works on 5.5 acres rented long term. When I asked him about his thoughts on the future of tobacco he was quick to reply that the future is bright, according to messages from the company he was contracted with. “It is especially bright now that the companies are providing assistance” he said. “I can now follow recommendations from extension workers which allow me to get a good crop”. He has done well with his tobacco farming. He recently bought cows (3), and he was molding bricks for a new house.

John C and Willie D represent the majority of mid-stage tobacco growers in the village. They have experienced success with tobacco, they have accumulated assets and they have built good houses. Also typical of growers in this category, despite stories of bad prices and rejected tobacco bales, they swear by tobacco and have never given much thought to diversifying away from tobacco. They are also typical in that to be able to grow tobacco successfully these days, you have to be on contract. This is what every farmer in the village wants, which contributes to the popular appeal of tobacco.

## **Late Stage Farmers**

These were older heads of households who had grown tobacco all their lives and had acquired assets. They have seen the glory days of tobacco and even given resources to their children to grow tobacco. For those who still had resources and energy to grow it, they could count on some help with labor from their grown children.

### **Story # 5: Mr. Derrick's Story**

Mr. Derrick is a frail old man with five adult children all with their own families, three of whom are successful tobacco growers in the village. He was born in the early 1940s, and started growing tobacco with his parents until he got married. He initially started with growing NDDF but went into Burley as soon as it was liberalized. He related that he used to be wealthy and at some point he had accumulated assets including cattle but they were stolen from him. This marked the beginning of his descent into poverty. In 2015 he grew tobacco on a quarter acre and realized MK130,000. His experience with tobacco is mixed; he has done well in some seasons and lost out in others. The fact that he can only grow tobacco on a quarter of an acre is because he has given out most of his land to his children, but also because he does not have enough labor to grow more than that. Asked about the future of tobacco, he said he was not sure as it all depended on what the President decided to do.

In recent years tobacco farmers experience tobacco as a game of chance. It's about withstanding losses one season and making gains in the other. Of all the growers in the case study households, only two indicated that they have never suffered loss because of low prices at the auction market. The rest of them have had to deal with bad prices and loss. But it is also clear that tobacco remains a popular cash crop with all stages on the life cycle maintaining unwavering support for tobacco. Most growers see fluctuating prices as part of life in the risky business of farming. Others see fluctuating prices and declining incomes as a result of uncompetitive trading practices, compromised state regulatory powers and a lack of voice for the grower. With a steadfast dedication to tobacco, most growers treat these uncertainties as the fate of marginalized rural growers abandoned by the state to deal with vagaries of the market the same way they deal with uncertainties of weather. However, it is also clear that bad tobacco market events are becoming common, and that these events are stressing the house-



holds and the community. With the background above, it is now time to begin a discussion about the real cost of this dedication to tobacco for the households.

### **Recovering From Market Shocks**

The stories of people like John C and Willie D above are a snap shot in time. In reality, the story of most smallholder tobacco farmers is a cycle of prosperity and impoverishment. Interviews turned up stories of once prosperous tobacco farmers who ended up losing everything after suffering low prices at the auction. The process of how farmers get back on their feet after a being made destitute by low prices is particularly interesting and it points to the enduring beliefs around tobacco. It also helps explain the paradox of why farmers stick to tobacco even if it doesn't make sense economically in the long-term. To get back on their feet, most smallholders are compelled to sell assets accumulated over an entire farming career in order to settle debts with laborers, financial institutions, neighbors and family.

#### **Story # 6: Alick**

Alick used to be a big tobacco farmer- at one point employing 13 farmers (tenants) to work on his farm. He is now a vendor. He buys tobacco from farmers in the village to sell to other vendors from town. He estimated that once a tobacco grower is devastated by poor prices at the auction it takes no less than five years to recover. When he received low prices in 2011 he had to sell a lot of his assets including his oxcart and three of his four bicycles. He says he is very much impoverished and he can't even begin to think about growing tobacco, let alone hiring tenants. He joked that he couldn't even maintain the one bike he has left which helps him with his tobacco vending. In a separate group interview his sentiments were repeated. A participant related that there were people who suffered poor prices in 2011 and stopped farming on their own to become laborers. They had not been able to recover and re-establish their farming. Alick observed that due to the cyclical nature of farming and tobacco farming in particular, growers were either stuck in one position or were actually getting poorer. Speaking about the aftermath of the disastrous 2011 season, he said the coming in of Limbe Leaf and other companies is the only reason some people were able to grow tobacco in 2012. It is no coincidence that most stories of success about tobacco farming in this study came from contracted farmers.

Interestingly, in the process of getting back on their feet, some growers turn to livelihood activities that could be considered more lucrative and provide more stable income than tobacco. But the irony is that adherents of tobacco only undertake these activities just so they can return to growing tobacco.

#### Story # 7: Michael's Story

Michael started farming in 1991 with 4 acres of maize later added groundnuts to his portfolio. He ventured into tobacco in 1994 following advice from his friends. He recalls that 1996 was a tough year. The tobacco crop was good (he got 34 bales), but prices were poor; averaging 65-80 cents/kg. To cover his loss, he sold two of his three cows and 50 bags of maize to help with feeding workers. Furthermore, he had to borrow money to pay workers and debtors. All this was in addition to the 26 bags of fertilizer he had sunk into growing the tobacco. He tried growing tobacco again in 1997 and owing to his now sharply reduced resources, he only realized 14 bales. He again received low prices and he briefly stopped growing tobacco and sold his remaining cow. Ironically, this marked the start of a successful cattle trading business which enabled him to open a grocery store and eventually, to return to tobacco. He restarted tobacco farming in 2000 and got 6 bales. Between 2000 and 2013 this story of falling and bouncing back would replay itself at least twice, the last time being 2011. In 2013 he went back to tobacco. I asked him why he kept going back to tobacco, foregoing opportunities for a stable income. He replied that he does what everyone else is doing. "Everyone wants to grow tobacco," he said. He hinted at local discourse that promotes tobacco production. "There is pressure to grow tobacco. The older you are the more the pressure to expand your tobacco acreage to match with your stature. When you have a good tobacco shed your friends call you 'a bwana-boss'" (Michael, 3rd Jan 2015). Such is the dedication to tobacco in the village that another respondent hinted that there is actually something wrong with anyone who is not growing tobacco. "Price fluctuations? It's the same as if you were sick. You only worry about next time. You stop growing tobacco - your head is not working. It's a huge mistake" (Josiah, September 2015).

Michael's story is quite illustrative because it plays out frequently, quite often in less dramatic ways. Other people who get their fingers burnt with tobacco go into more modest

enterprises with lower returns but a steady income with lower risks. However, the story is similar. Once they get back on their feet, they venture back into tobacco only for the cycle to repeat itself.

An investigation into this puzzling trend points to the role of tobacco in the household and in the broader economy as well as the strong influence of two different, but related strands of discourse on rural life in Malawi. The first discourse is about what it means to be a man of status in the village. There is a salient narrative that says a man needs to grow tobacco to be respected. The older one gets, the more pressure they have to expand their acreage. It is at this expansion stage that most burn their fingers. Those who fail to grow tobacco for financial reasons feel inferior and the few who have made the decision to quit tobacco farming are asked by perplexed neighbors why they quit.

There is another narrative that speaks to how both government and rural people approach their livelihoods. The former President of this country, Dr Hastings Banda, used to tell rural people to concentrate on farming. His favorite saying was “*chuma chili m’nthaka*” (“your wealth is in the soil”). This framed how his administration approached agriculture and subsequently shaped the orientation and activities of the Ministry of Agriculture. Even today, the Ministry of Agriculture commits a large part of its resources to crop production (close to 50% of the Ministry’s total budget) to the neglect of other potentially lucrative sectors like livestock production, and other critical functions like research and extension. You don’t hear this maxim spoken publicly as much these days but you only have to scratch the surface to realize that it remains powerful. Some interviewees told me outright that they were meant to be farmers. “Business is not in a Chewa man’s blood” one told me (Limbani, October 2015). As a result of internalizing these narratives, people faced with unstable and declining tobacco incomes don’t seriously consider opportunities outside farming as dependable livelihood activities. And when, by chance, they find themselves doing any other non-farm livelihood activities, their chief concern is to get as much money as they can, and return to the land. And by this they mostly mean going back to tobacco.

### **Responses to a Changing Tobacco Economy**

Common perception among active tobacco growers and those who want to join them

is that the current instability in the industry is one of the risks they are exposed to as farmers, and they expect it to pass. Meanwhile they use a variety of strategies to cope with declining and unstable incomes, including changing cropping patterns, labor exchange, *dimba* farming, renting out farm plots, and selling firewood and charcoal in town. They do this to survive low tobacco prices and resuscitate their tobacco farming in the short-term. For the long-term some seek to secure their future by engaging in contract farming.

A few respondents feared that the glorious days of the ‘green gold’ are in the past. They have taken a long term view to go beyond merely coping, and have crafted long-term adaptive strategies away from tobacco. These include economic diversification such as starting a new business enterprise, and crop diversification such as venturing into cash crops other than tobacco, such as soy and beans. Another strategy is to change from a farming system based on field crops to wetland (*dimba*) farming where horticultural produce is the main cash crop.

### **Contract Farming as a Guarantee of Future Tobacco Livelihoods**

For keen tobacco growers, the most common adaptive action to livelihood insecurity is to join contract farming. Growers are flocking to tobacco companies because they see the benefit of working with them. Most of the well-established growers among the case study households were on contract with one of the three companies operating at Kumala. Only a few of growers not on contract were doing well with their farming, and most related that their goal was to become a contract farmer. Contract growers have access to financing, inputs and technical support from their companies. They also get to sell their tobacco on the contract market where average prices are generally higher as compared to the auction market. Contract farming is barely five years old in the area, but it is now possible to hear farmers experiences to determine if this is the best adaptive strategy, one that really improves incomes, reduces vulnerability and enhances the capacity of growers to deal with future changes to global agriculture.

## **Experiences with contract farming**

### **Story # 8: Felix's Story**

Felix is a poster boy of contract growers, one tobacco companies like to use to tout the successes of contract farming. He is a self-made man having endured a rough start to his farming career. He started farming while in school in 1997. Initially he started with growing maize in the dimba for sale so he could raise money to buy inputs for tobacco. His brother used to get loans from MRFC and he used to access inputs through him. Starting out with no farm plot of his own, he now works a total of six acres, all of them rented for the long-term, on which he is growing maize, groundnuts and tobacco. A risk taker and a shrewd business man, he started getting input loans from Alliance One in 2012 and he has never looked back. In addition to growing tobacco, he also buys the tobacco leaf from other farmers for resale. When I asked him about the future of tobacco farming he emphatically replied that tobacco has a bright future because it brings in more money than any other crop he could think of. He related that he had tried growing maize and groundnuts in 2011 but he came back to tobacco. On the low and fluctuating prices he has experienced in the past, including the one in 2011, he stated that if things didn't go well at the tobacco market, problems were his own, not the tobacco companies'. On the benefits of contact farming, he noted that he now has access to credit and he can now grow on a bigger scale. He also likes the security that comes with working with a big company, should things go wrong. "Being in a group with the company, you have somewhere to complain. A company may still advance you inputs, while if you were on your own you would have to go to Mozambique to be a tenant." He said tobacco allows him to build assets while his kids were still young.

In 2015, his loan amounted to MK350, 000. With this he grew 1.5 acres of tobacco and got 12 bales which amounted to 1200 kgs. Total proceeds from the sale amounted to MK970,000 which means he came out with MK620,000 profit. He was very happy with the outcome, saying this was his best season ever. The following season he planned to reduce his loan. At the time of the interview he had already bought 11 bags of fertilizer with his own money so he could get a smaller loan. He planned to increase his tobacco acreage from 1.5 to 2 acres. In addition, he also wanted to advance fertilizer to other farmers so that in return they

would give him a share of their tobacco.

#### Story # 9: Faustin's story

Faustin is well educated by most standards, having attained the secondary school certificate. He got married in 1998 but that year he farmed with his parents, only standing on his own in 1999. He previously belonged to a tobacco club (which he joined in 2001) through which he got loans from MRFC. "Back then tobacco farming used to be profitable" he said. He used proceeds from his tobacco to build a good brick and iron roof house and bought goats and chickens. With his money and assets, he took care of his siblings after the death of their father. In 2006 he stopped dealing with MRFC after his club failed to repay a loan as a result of low prices. Between 2006 and 2010 he used to grow maize and groundnuts but he didn't make as much money so in 2010/11 he went back to growing tobacco using his own resources. The next year he joined Limbe Leaf as a contract farmer. His first impression working with Limbe Leaf was that it was a cheap loan as compared to other companies but the problem was that the company failed to provide cash for growers to hire and pay for casual labor at peak labor times. As a result he did not make profit.<sup>28</sup> He made a decision to stop dealing with Limbe Leaf because he was convinced that tobacco companies had set a limit on how much they can pay the farmer. "They give 15% to the farmer and 85% is shared between tobacco companies and the banks." In addition he said he was let down by Limbe Leaf because they did not help him with marketing arrangements. But largely, he stopped working with them because he felt it was not a fair agreement. Prices were not stipulated in the contract, and there was no actual written document. The first time he grew tobacco with Limbe Leaf on contract he invested MK386,000 of his own resources, but after selling his tobacco he made less than MK200,000. He noticed that people who grew tobacco with their own resources that year made more money than contracted farmers.

#### Story # 10: Mr. Willard

At the time of the interview he had been with Limbe Leaf for three years. He belonged

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<sup>28</sup> At the peak of the growing season in January and February smallholder farmers need money to pay laborers to weed and harvest the leaf. Failure to hire enough labor in a timely manner can lead to deterioration of the leaf in the field resulting in low prices.

to a club with nine other members. As a club, they got a package of inputs enough for 3 hectares. He related that there was no contract document signed with Limbe Leaf. “It is just a verbal agreement,” he said. From the loan package extended to his club the company expected 100 bales, amounting to approximately 10,000kgs of tobacco. When I asked him how much he owed Limbe Leaf, he replied that he did not know yet. He did not have the forms documenting his loan at the time of the interview in March, a month before the tobacco market was due to open. All he knew was that the previous year it was \$956.

On his experiences as a contracted farmer with Limbe Leaf Mr. Willard lamented that prices are not disclosed prior to the season, and the company does not help with transport although it provides extension services. He argued that the advantage of being on contract is that you know the buyer and he claimed that prices were negotiable. The disadvantage, according to Willard, is that if a grower presented poorly cared for tobacco, they lose everything. In a follow up interview after the sales were closed, he indicated that he had grown 1.5 acres of tobacco and got 7 bales. From his loan of \$548 he claimed to have made MK200,000 (\$430 in 2015, \$=K465) as net proceeds. He was not satisfied, as the previous year he earned MK350,000 in profits. Nevertheless, he planned on getting another loan the next year, again with Limbe Leaf.

### **Downsides of contract farming**

The coming of contract farming has injected belief in many growers that tobacco farming has not reached a dead end. Growers who in recent years had trouble sourcing inputs and technical assistance to grow tobacco have been quick to realize that going on contract is a way to secure their future livelihoods. They believe that in leaf companies they have found partners who are willing to help them produce the crop and also defend their interests on the market. Nevertheless, contract farming as it is practiced currently has some downsides. There is lack of transparency on the part of leaf companies. They fail or neglect to provide terms of loans and the amounts growers actually owe at the outset of the agreement. Regulators from TCC and labor migrants returning from Mozambique note that these are the same companies that operate in neighboring countries where they are able to provide contracts that stipulate prices prior to the beginning of the growing season.

In addition, leaf companies have been known not to honor the agreements with growers as well as with government. In the past, tobacco companies have routinely ignored prices set by government, and they have even refused to buy tobacco from their own contracted growers once they achieved their planned volumes. Furthermore, there are suspicions that leaf companies manipulate prices by offering good prices on the first shipment of tobacco grown on contract to recoup their loans. Upon recovering their loans they have no problem giving their own contracted farmers low prices, just like all the other growers. A contracted farmer related that in the previous season, prices for his first shipment of tobacco ranged from 2.30-2.40/kg which is a range that growers yearn for. With these prices his loan was taken care of. The next batch of bales prices averaged \$1.60- \$1.70. It must be noted that growers first send bottom leaf which is poor quality and send high quality leaf in subsequent shipments.

### **Exiting Tobacco Farming**

There are a few farmers who have intentionally chosen not to grow tobacco. These come in two groups. The first group are those in formal employment and for the most part they have no time for tobacco. They prefer growing maize and other low- resource crops. But even where they are still growing tobacco, they have more options for diversifying their incomes than those who are not employed. The second group are those farmers who have had painful experiences with tobacco, and came to the realization that it is not worth the trouble. There are only three families among the case study households who fit this description, but they share the characteristic of being, on average, more educated than the typical village resident. One had 10 years, the other 12 years of education, and the other had gone to a technical college.

#### **Story # 11: Gibson's Story**

Gibson used to be a tobacco grower. He even grew tobacco on contract with Alliance One in 2011 but he was disillusioned by low prices and by the way the contract scheme was run. He had no actual document signed by Alliance One, and to him this contract was not a valid legal agreement. Now he rents dimbas and grows horticultural crops. He emphasized



that going into horticultural crops was a response to the bad tobacco prices he received, even when he was on contract. In 2015/16 he got a loan of MK130, 000 to grow chilies on 0.3 acres of land on contract for a neighboring farm. He got MK400,000 profit. “Tobacco has no future” he told me. “Everyone is just growing for the sake of it.” His biggest challenge was lack of enough capital to grow more vegetables. “I need money to buy land and motorized pumps,” he said. He cited currency fluctuations and frequent export license bans as obstacles to farm income diversification. He stated that having learnt to grow chilies, there was no way he was going back to growing tobacco. He is a well-spoken, and self-made man. He researches and teaches himself many things about growing vegetables.

#### Story # 12: Wongani’s Story

Wongani is a young man who runs arguably the most successful business in the village, baking scones. He tried tobacco after leaving school in 2010 but the prices were bad. From that time he only grew groundnuts and maize, until 2012 when he went into baking. He used money from sale of groundnuts to start his baking business. To him the key is for one to invest tobacco income into other areas. He argued that the biggest obstacle to income diversification is the mindset. “Older tobacco farmers don’t diversify because it is all they know- they don’t go into other enterprises,” he said. He observed that he was now getting more maize and groundnuts yields as he puts more effort in than them than when he used to grow tobacco.

#### Story # 13: Manfred’s Story

Manfred and his twin brother grew up in a tobacco growing household. “I saw the troubles my father was going through when he was growing tobacco,” he began. After finishing his education at a Technical College his father set him up with two bags of fertilizer to grow tobacco which fetched MK80, 000. Next season he used that money to buy tobacco from other farmers to sell on auction but he didn’t do well. He tried to grow tobacco again the following year but he found the cost to be enormous. That was when he decided to try something else. He says tobacco farming favors those who are already well established. It costs a lot, and its hard work with little profit. He now grows soy, maize and beans. “Beans is

my money spinner. I was mentored into this type of farming by a man from Wyson (a neighboring village)". In 2015 he grew beans on one acre and got eight 50 kg bags which fetched MK200,000 on the market. He built an iron roofed house from the proceeds of his sale. One acre of beans requires 5kg fertilizer and one liter bottle of Cypomethrin (a pesticide), a small investment as compared to tobacco which requires no less than 100kgs of fertilizer for an acre. "Many people grow tobacco because they want to compete with others. They want to be famous. They just can't see that there are other ways to make money other than through tobacco," he added.

In addition to these three who exited tobacco farming, there are others who have given serious thought to exiting tobacco but have not come around to actually implementing their plans. I include a story of one such respondent to show that adaptation is not a straight forward process, and that perception of risk does not always lead to adaptation.

#### Story # 14: Mr. Timothy's Story

Mr. Timothy works for a government department at Mitundu but he also runs a business, a tea room and a grocery at his home. He started growing tobacco in 2001 when he got a loan from SACA to grow tobacco. Starting with one acre, he started buying other plots with profits from tobacco farming. His experience with tobacco these days is that things are not going well because of poor prices at the tobacco auction floors. "In fact things are actually going downhill" he said. I asked him why he was still growing tobacco and he replied that that year (2015) could be his last year growing tobacco if things didn't improve. He was already making a business plan for that eventuality. He had had to stop growing tobacco before, in 2010, when he received poor prices, but he went back after his business plan failed to materialize. His business plan which entailed exiting tobacco and going into raising chickens failed after all his chickens were wiped out by disease. During the follow-up interview after the end of the 2015/16 growing season he said he had done well with his tobacco that year and spent his profits buying more land. It was clear that he would not be exiting tobacco that year. But still he is an example of those who have seriously thought about exiting tobacco with a solid plan of action plan.

This study started out with a hypothesis that linked perception of risk to adaptation.

Findings show that growers' responses depend on their understanding of the current state of the tobacco market and the causes of market fluctuation. The majority who think that the current market instability is temporary are using coping means to survive declining incomes for the short-term, with the intent to build capital reserves and go back to tobacco farming. Those who are able, hope to secure their future livelihoods by throwing their lot with the tobacco companies and joining contract farming. Those who fear that tobacco days are over are a small minority, and even a smaller minority is diversifying away from tobacco. These people tend to have above average education, but they are also entrepreneurs who like to learn new things. These findings show that farmers who associated long term tobacco farming with risk did not always adapt - perhaps further pointing to the complexity of adaptation and the tenuous link between perception of risk and adaptation.

## **7.6 Impact of Tobacco Market Instability on the Rural Landscape**

Rural livelihoods are affected and influenced in various ways by shifts in economic and political processes that link them to national and global markets (Sick 2014). Having described how rural residents at Kumala experience and respond to market instability, this section describes the specific ways in which unstable markets and declining tobacco incomes are impacting the rural landscape through two trends centering on movement of labor and increasing inequalities in land ownership. This section will put in context the shape and form of rural transformation processes currently in motion.

### **7.6.1 Migration**

Fieldwork revealed that in recent years there has been a growing trend where villagers migrate to Mozambique to work on tobacco farms there. Migration has been exhaustively discussed in livelihoods literature either as a rational economic diversification strategy that can provide economic stability and investments for agriculture, but also as a coping strategy for people trying to survive a livelihood shock (King 2011; McDowell and de Haan IDS n.d). This section provides a description of the migration trend at Kumala, and provides a framing of what it means for household livelihoods and also for the rural economy. All kinds of people; young, old, men, women, single and married are joining this labor migration. Usually

one or two members of a household make the trip, but in some cases whole households; a couple and their children, have uprooted themselves and gone to work as tenants in Mozambique. Oral historical accounts relate that at the height of tobacco farming, Kumala tobacco growers attracted tenants from within Lilongwe and from surrounding districts. As tobacco incomes started to decline, growers could not afford tenants anymore, preferring to hire direct labor. Down the line people from the area began to migrate to work as tenants in other major tobacco growing destinations like Mchinji, Kasungu, and Mzimba; and in rice estates in Salima (all in Malawi). Now the migration trend is to cross the border into Mozambique, a country that is also establishing itself as a major tobacco producer. My fieldwork began close to the beginning of the growing season in 2014/15 when labor migrants had already left for their work places which made it difficult to get a good estimate of numbers. But local accounts indicate that migration is a big phenomenon in the village. Among the case study households only two respondents did not have a relative or friend who had gone into labor migration. All the other respondents related that they had cousins, brothers, uncles and aunties who had left to go and work in Mozambique. The village headman suggested that during the growing season less than half of the residents remain in the village.

Workers are recruited directly by Mozambican farm owners. A farm owner usually shows up in the village with a truck to recruit workers. Word spreads through the village, and willing bodies jump into the truck to make their way to Mozambique. Sometimes a farm owner will send some of his Malawian workers to go back to their villages to recruit workers for him. Chimwemwe, a returned migrant in story # 2 above, related that a Mozambican farm owner came in 2015 and recruited him together with seven other boys from Kumala and three from the adjacent village (Chimera). They went to a farm in Makanga in Tete Province. Once there he estimated that he found over 50 people from Kumala and surrounding villages that had migrated to that area. Some are settled there while others return home every year. Out of his group of ten, four came back after the first growing season. He was employed as a seasonal worker after agreeing to a fixed wage of MK75, 000 at the end of the season. He ended up receiving MK60, 000, exclusive of food and lodging. For comparison, a seasonal tobacco laborer in Malawi gets between MK20,000 and MK32,000. "People migrate to other tobacco growing areas because they have the skills and they know they can do the job," he

told me. According to Chimwemwe, young people want to go because they want to lay a foundation. They want to upgrade from growing maize and groundnuts to tobacco. Another respondent reiterated that to get a good foundation you need to be a tenant.” If you are not paid well at the end of the year (in Malawi), then you go to Mozambique” (Manfred, September 2015). Many are attracted by stories of good conditions and possible riches. One related that nostalgia for the good old days is a push factor towards migration-”these boys, they sell their farm plots and go to Mozambique because they want motor bikes - what they used to get here, they are now getting it from Mozambique” (Finickey, September 2015). A key informant who also happened to be a village headman related that good working conditions are a big draw for growers from the village.

“There are good conditions in Mozambique. Tenants are paid good money there. A tenant typically makes MK200, 000 a year. (In Malawi the best paid tenants on small estates is MK31, 693 (Kanyongolo and Mussa 2015) some have been rewarded with motor bikes by their bosses and a significant number has settled permanently in Mozambique” (Michael, October 2014).

Stories from returning migrants show a different reality. None of the returning laborers indicated getting anywhere near MK200,000 but they were still paid high wages as compared to earnings of tenants in Malawi. For mid-stage and late-stage respondents, joining labor migration was a way to lay a second or third foundation after losing money or land and accumulating debts. Of the few migrants interviewed most tended to relate this migration to a dysfunctional rural economy in general but only one tied this to bad tobacco prices. He cited failure to pay tobacco loans to his old club as his reason for going into labor migration. He related that if someone doesn’t repay their loan, others are forced to pay for him. Club members then grab his farm plot and sell it. The debtor is then forced to go to Mozambique. Even when respondents did not always tie migration to bad tobacco prices, the tobacco crisis is implicated in the sense that people are unable to build a solid farming foundation in a tobacco economy as they used to do in the past. It is also worth noting that the road to impoverishment from bad tobacco prices is gradual. A grower who makes losses in one season will dispose of his assets first and put together resources to try again. Or they may grow groundnuts and

maize in the hope of raising capital to go back into tobacco. Down the line, when all fails, is when they decide to join the labor migration. One respondent, a tobacco grower who is on contract, related that he is on contract with his company to ensure that he will get help in the event his tobacco fetches a low price. If he were to make a loss and he was not in an arrangement with the company he would be forced to go to Mozambique to become a tenant to raise capital.

Those who have gone and returned were quick to praise the marketing system in Mozambique. Mozambique does not operate under the auction marketing system as all their tobacco is grown under contract. Leaf companies set up seasonal markets where growers bring their tobacco and company buyers pay on the spot using rates specified in contracts. Returning migrants cited this as the most impressive feature about tobacco marketing in Mozambique. “The marketing arrangement is good - farmers are able to negotiate with buyers. And if a grower doesn’t fetch a good price at least they are told what is wrong with their tobacco” (Maxson, August 2015). Furthermore, growers in Mozambique are not subjected to a multitude of deductions as they are on the auction floors in Malawi.

### **Experiences on the Migration Circuit**

Locals do not always view labor migrants in positive terms. For the most part local perceptions portray people who go Mozambique to work on farms as lazy, unsettled and irresponsible. People view this as a lifestyle and not a means to cope with a faltering rural economy. If one really wanted to raise money one trip was enough, one man suggested. These are some of the comments by non-migrants to describe their perception of labor migrants:

*“It’s a life style. They claim to be looking for money but money is right here at home. They have become regulars on this migration circuit. They should have built their foundations by now”* (Likanga, September 2015).

*“People who go to Mozambique, you can tell by the way their houses look. They are not settled.”*(Manfred, September 2015).

Others insinuated that their lack of resources is caused by laziness to begin with.

*“ They go there because of poverty and laziness. They lack of fertilizer yes, but that’s because they spend their money on beer” (Derrick, September 2015).*

Others noted that labor migration is the beginning of sliding down the path of ultimate impoverishment.

*“It forces you into a circuit. You go there and when you come back you have no food and no land. You are forced to go back to Mozambique” (Gibson, September 2015).*

There were some migrants who were drunk and didn’t seem to know what they wanted, but there are others who were serious about what they are doing. Chimwemwe, the young man in story # 2 above, had a plan to go to Mozambique, earn money, come back, get married and go into farming. And that is exactly what he did.

Returned migrants report poor working conditions including hard labor, isolation and exploitation. Workers on tobacco farms are expected to work from 6am to 5pm non- stop with no days off and without reliable access to medical care when they fall sick. They also report conditions of enslavement through indebtedness. At recruitment, if a potential laborer has debts in the village, the recruiter pays the debts on behalf of the tenant; especially those owed to tobacco clubs. The laborer is then indebted to the farm owner. These debts are deducted at the end of the season. Some farm owners have taken advantage of workers by charging interest on the debts. Other farm owners promise higher wages only to pay less at the end of the season. John C, a case study respondent in story # 3 above reported that his friend had gone to Mozambique the previous year but when he came home he refused to go back. He was promised a decent wage by the farmer when he signed up, but he was paid less at the end of the season. Migrants also report harassment at the borders where agents demand bribes to let them in and out.

Key informants related that even though migration has been a feature of the socioeconomic dynamics in the area, it was mostly local. They noted that cross-border migration into Mozambique has picked up in recent years and could plausibly be linked to the troubles in the tobacco industry. The migrants interviewed do not fit the local generalized



profile of migrants as lazy and irresponsible. No lazy person wants to be subjected to working conditions that exist on the Mozambique tobacco farms.

Ultimately, this migration trend will change the social and physical landscape of Kumala in significant ways. First, it may turn many of these migrants into displaced, unsettled people. Those who come back home after unsuccessful labor migration and again fail to find resources at home will keep moving, unable to settle anywhere. Secondly, this trend is helping create and perpetuate land ownership inequalities as I elaborate in the section below. Before they migrate, some of the migrants rented out or pawn their farm plots to family members or non-relations. Mr. Willard, a late stage farmer in story # 9 above had six of his family members leave to join migrant labor in 2015. His niece and two of her daughters used to grow maize and groundnuts. A female cousin also left because she had family problems. His brother and a grandson to his sister who he described as an alcoholic and a thief also left. They all pawned their farm plots before they left. I discuss the impact of an ailing tobacco economy on land ownership inequalities in the next section.

African migration, both rural-urban (Cliggett 2005; Falkingham et al 2012; Potts 2006) and rural-rural migration (Cliggett 2014; Potts 2005) has been well documented. Studies have revealed the phenomenon of circular or return migrations as a manifestation of rural-urban linkages oiled by economic, social and political factors. In contemporary Malawi migration has been studied from different vantage points. While studies show livelihood stress as the cause of migration, the effects are ambivalent. Potts (2005) discusses the rural-rural migration from the over-populated south to the north in Malawi, citing land shortage as the push factor while Mtika (2009) has documented how migration is common feature in agriculture in Malawi, but it is also fueled by a fragile business economy and was implicated in the spread of HIV/Aids. Elsewhere, other studies have shown that besides environmental and economic factors an understanding of community and household power structures is required in order to understand the nature of migration and what it means for both the migrating and the remaining parties (Cliggett 2000, 2005). I take all this into account as I make sense of this complex process and recognize that besides the failing tobacco economy, household and individual dynamics influence the motives and the effects of migration decisions.

From a livelihood perspective, the migration undertaken by residents from Kumala



can be evaluated from two vantage points, as this migration seems to encompass both seasonal migration and permanent migration. A study on the people who undertook permanent settlement in Mozambique would reveal if they established a foundation and ventured into farming on their own. As for those who come back every year, a systematic evaluation of return migrants' ability to save earnings and invest at home one would offer better knowledge about how cyclical migration will impact households and the community more broadly. Stories from respondents in this study paint pictures of bad experiences with migration. It could be a matter of a bad boss or bad working attitude or just the jitters of being away from home. What if they found the right conditions? Would they stay there? At present, the shape and circumstances of migration from Kumala point to precarious future livelihoods for the migrants because they leave their land behind, with no guarantee of success in Mozambique and thus the possibility of permanent land alienation.

#### **7.6.2 Land Alienation and Stratification**

Another trend resulting from a devastated rural tobacco economy is the rapidly developing vernacular land market, which points towards increasing social differentiation based on land access. For sure, not everyone is becoming impoverished with the erratic tobacco economy. Those who are able to get contracts with tobacco companies are actually doing well and they are acquiring more and more plots of land. It is instructive that the three most successful tobacco growers in Kumala do not own all the land they work on. They are into long-term rent agreements and every year they add more plots. There are at least three types of land-use arrangements:

##### **Use for-a- Period Agreement**

The renter uses a farm plot for a season or two. This fetches a very low price and is mostly the preferred arrangement for older people with no energy or resources to work their own fields but intent on keeping ownership of the farm plot. Through this arrangement landowner lets the renter pay between MK7000-MK15, 000 to use one acre for one season.

### **Rent- to-Redeem (Pawn)**

The user pays out money which renter is required to pay back to redeem their land. The renter is free to use the plot until the land owner comes up with the money. This arrangement is popular with land owners with no resources to buy inputs. It is also popular with people who go on labor migration. It costs anything between MK20,000- MK80,000 to rent one acre under this arrangement. This is the arrangement that is likely to disrupt the norms around land transfer and cause land inequality as I elaborate below.

### **Outright Land Sales**

Outright sales are rare, but they are happening despite informants' insistence that land is not for sale. People directly involved in selling land did not admit to selling land and it was only those who bought who talked about it. Family members talked in hushed tones about land sales. A female respondent in one of the case study households reported that her father in-law had sold half an acre of his land, albeit, quietly. In interviews people would let slip that they actually bought and not rented a plot. Timothy, a case study respondent in the story about growers exiting tobacco let slip that he had bought one acre of land for MK300,000.

Rose and her husband are among the most successful growers on contract with Limbe Leaf. They started out with just half an acre of land in 2007 given to them by the husband's parents. In the 2015/16 growing season they worked on eight plots, four of which were rented. Considering that they started out with only one plot, then the other three they must have either bought outright or the original owners simply never came back to redeem their plots. Felix, the poster boy for contract farming, works on six plots of various sizes, none of which are his own. The story of Rose and Felix also give an indication of how land inequality is playing out in the village through the rent-to-redeem arrangement. The resource constrained farmer offers use of his/her plot to a relatively wealth individual for a number of years in return for an agreed amount of cash. The hope is that in the given period, the land owner will find money to repay the money and redeem his land. However, the trend is that as time goes, the land owner is finding it difficult to repay the money and the land remains under the control of the wealthy individual. For the lucky ones the land stays in the family. Rick's two cousins left the village to go to Mozambique and they pawned their farm plots to him. He gave them MK20,

000 but they kept asking for and getting more money from him against the land, which makes it unlikely that they will repay. Others are not so lucky. Edward's two cousins also rented out their pieces of land. The first cousin needed deposit money for a loan from Alliance One. He got MK60, 000 as rent for 2 acres. The second cousin got MK80, 000 for one acre and left for Mozambique. According to Edward, the second cousin is unlikely to get the land back because he got too much money for it. However, locals observe that even with the reported extra income they earn in Mozambique, none of the migrants who pawned their land has been known to redeem their land. Very few are reported to be sending money to improve their households in Malawi or to get their farming back on track.

To put things in context, agrarian political economy literature has documented experiences of local dispossession of land through global and national processes stemming from the liberalization of land markets. Large scale land acquisitions, agribusiness involvement in food and biofuels production, and major tourism and conservation projects among others have been implicated in large scale land dispossession (Mc Michael 2012; White et al 2012; Zoomers 2010). The dispossession of land at Kumala has taken a different path. At Kumala it is smallholders connected to the tobacco value chain who are accumulating resources and buying or renting land from non-contracted growers or non-growers. But this dispossession must also be placed in context of the internal processes.

Elsewhere scholars have documented how across the African continent there is an ongoing reinterpretation and renegotiation of rules governing customary land - once considered outside the realm of the market. The rise of vernacular markets is one manifestation of this renegotiation (Chimhowu and Woodhouse 2010; Kouame 2009; Colin and Woodhouse 2010). In Malawi, Takane (2008) discusses the flexible and changeable rules and norms of transfer for familial land in farming communities dealing with population rise and identity flux through inter-marriages. Peters and Kambewa (2007) have looked at how the development of a new national land policy set in motion competition for land with chiefs overriding customary land rights to sell land to outsiders. Even from the perspective of land governance, authors question the impact of flexible and negotiable customary tenure rights in Africa, although such systems may be celebrated in other places, for encouraging productive land uses. Sticko (2010) and Peters (2004) argue that flexible land tenure regimes

end up disadvantaging marginalized groups such as women, youth and the disabled who are shut out from land ownership. In Kumala, renting households will eventually lose those lands, and their children will have nothing to inherit. Meanwhile contracted tobacco growers will amass more land. In terms of labor, if the tobacco marketing system does not change, Malawian growers will not be able to compete with their Mozambican counterparts, leading to more labor migration, and subsequent loss of land in Malawi.

## **7.7 Conclusion**

The people of Kumala know that their livelihoods are going through a tough time. They know that the tobacco market is unstable and that this has been going on for years. They see no more iron roofed houses and they see an increase in outward migration. But for now, the importance of tobacco still looms large. Young, mid-stage and older growers as well as farmers who are not yet growing it all sing praises to tobacco. For most, the current unstable market is just a temporary bump on their livelihoods. While others blame themselves for lack of diligence with care of the crop which results in lower prices, an equal proportion of respondents blames government's exploitative and inefficient institutions as the cause of the crisis. Comments from growers show that the historical relationship between smallholders and a heavy handed paternalistic state comes to the fore in a subtle but powerful ways, in the ways through which smallholders process change in the agricultural marketing environment. This is because growers recall a time when the state controlled and manipulated commodity markets at will. For this reason, most growers have not linked the current unstable market to possible long-term decline in the fortunes of tobacco farming, and therefore they have not taken adaptive actions. This shows that the link between perception and long-term adaptation is not as strong and must be mediated by institutions, state owned or otherwise. In so doing the historical relationship between institutions mediating for smallholders must be interrogated to make sure the interests of smallholders are not sacrificed.

Discussion in this chapter has also shown the need for better understanding of the adaptation process. Livelihoods literature has shown that adaptation is a complex process involving dedicating resources and time to develop alternative livelihoods. Fieldwork at Kumala has confirmed this by showing that even those employed and with access to resources

for diversification are not diving in head-long to diversify from tobacco. This is in no small measure due to the fact that they do not take seriously the possibility of tobacco disappearing. A small minority has thought about the long-term viability of tobacco and have diversified away from tobacco. But even for these, the government looms large in their livelihoods away from tobacco through the management of currency exchange rate and the administration of produce trading permits both of which affect their ability to access inputs as well as to sell their produce.

The chapter has also shown that despite the perceptions of respondents, unstable tobacco markets, declining incomes and a failing rural economy have set in motion a chain of interlinked processes that are shaping the movement of labor and are forcing a reconfiguration of land ownership patterns which will change Kumala forever.

## **Chapter Eight: Conclusion**

The study looked at tobacco growers at Kumala in Lilongwe and explored how they understand and respond to changes in their farm livelihood context. This context is the ever changing tobacco market characterized by fluctuating and declining prices, increasingly stringent quality standards and new institutional arrangements. All these changes are superimposed against a background of neoliberal restructuring that shifted the economic, political, and agrarian order resulting in a diminished influence of the state while elevating the influence of companies. This chapter summarizes the findings from the study on how farmers perceive and respond to a changing tobacco economy, and restates the specific ways in which the state, leaf companies and other institutional players operating within a specific national agrarian and political context shape smallholders' perceptions of the tobacco industry. With a view towards thinking about how future crises could be managed or even prevented, the chapter also provides a discussion on the framing of the tobacco livelihood crisis as a step towards about thinking about solutions to the crisis. The chapter also employs the concepts of sustainability, vulnerability and human capabilities to discuss how the responses to the current market instability do little to enhance capacity to manage or prevent future crises. Finally, the chapter offer insights on the broader question of whether and how small farmers and producers across the globe are going to adapt to future changes in the global institutional and structural framework of global agriculture and I offer policy recommendations on how this can be achieved.

### **8.1 Perceptions of Risk Among Smallholder Tobacco Growers**

When I talked to people at Kumala, the long-term risk of tobacco viability was not a common topic of discussion. Sure, they talked about fluctuating and declining prices, and increased uncertainty in their interactions with the market. But tobacco is still considered king. They experience all these uncertainties much like the myriad livelihood risks they normally live with, including the uncertainties of weather. For the most part, they are thinking about how they can improve the quality of their tobacco in order to improve their chances of earning good prices. On the other hand, they also hope for improved efficiency in the institutions that

run the tobacco market. Individually, there are a few people who think in the long-term and have taken adaptive actions exiting tobacco farming. For many tobacco growers, misperception and underestimation of risk has led to complacency and inability to plan and implement well thought out adaptive strategies. For these growers, the idea that one day trade in tobacco products could stop or the fact that even at the moment tobacco is a pariah crop, and the implications of this status on the future of their livelihoods not yet registered in their minds. With regard to collective adaptation within the tobacco system, studies have shown that perception of risk is informed by the social context (Lo 2013; Ostrom 2000).

Ostrom (2000) notes that social norms and networks generate social capital that gives rise to a push for collective action. The government and the tobacco industry in Malawi have not given serious attention to what would happen to growers should there be no demand for Malawi's tobacco. Sure they talk about 'diversification with tobacco', meaning that growers need to grow several crops to ensure food security and cash in the event that tobacco doesn't do well in a particular year. But this is still asking growers to center their lives on tobacco and it is different from asking growers to prepare for the inevitable rainy day. This complacency (and misinformation) has a lot to do with the political economy of agriculture in Malawi through which the profiteering motives of tobacco companies converges with the exploitative tendencies of the state.

## **8.2 Practices that Shape Perceptions of Risk among Smallholders: Signals from Government and the Industry**

Government's role in shaping smallholders' perception of risk is implicit in the ways in which it has handled the smallholder agriculture sub-sector with paternalism, and it is explicit through the way it has facilitated, and partaken in the exploitation of smallholders. From interviews with growers, the legacy of a heavy handed paternalistic state came to the fore in a subtle but powerful manner in the way smallholders process and understand changes in agricultural marketing. Growers remembered the state that actively intervened to stabilize incomes on behalf of smallholders. They view the fact that the state seems unwilling or reluctant to help them get better tobacco prices and help them secure their livelihoods where it matters most as something of an act of betrayal. In relation to this,

smallholder growers now increasingly view the state's role in their livelihoods through corrupt institutions that are complicit in their exploitation. In interviews about poor prices the state and its institutions were not too far from discussion as the culprits that were making all the profits, at the expense of growers.

### **The Role of Tobacco Companies**

The role of tobacco companies in promoting smallholders' view that tobacco farming is still viable in the long-term has been much more explicit, through messages to promote production of agriculture and through incentives including financing and better prices for contracted growers. Tobacco companies in Malawi have consistently told growers that tobacco consumption will go on forever, and they have encouraged farmers to keep growing even when the companies themselves are diversifying. Growers are told to disregard the anti-smoking lobby as "anti-tobacco initiatives have always been there" (TAMA Interview, October 2013).

Tobacco companies have also shaped the image of a viable tobacco industry among smallholders by providing financing through contract farming, and by offering technical support to growers. The tobacco industry's role in financing tobacco and providing extension services offers hope to growers. The thinking among tobacco growers is that things can't be that bad if these companies are coming to their villages to encourage them to grow tobacco. Leaf companies come as partners, using the same language of development commonly used by nongovernmental organizations and development agencies. By portraying themselves as partners who care about the well-being of growers and by offering incentives such as financing, extension services and a promise of better prices, tobacco companies cloud-out growers' perception the instability they currently face on the market, and the long-term implications on the viability of tobacco farming.

### **The Political Economy of Tobacco in Malawi: Institutions and the Smallholder**

The analysis of the political economy of tobacco in Malawi (Chapter 5) has shown that the interests of the state and those of leaf companies as well as those of other local non-state players converge with the aim of extracting as much surplus as possible from



smallholder tobacco growers. The state seeks to exact revenue through taxes, but it also seeks to protect the interests of its own companies that are involved in tobacco trading, input supply, and tobacco re-handling businesses. To further compound the misery of the state, donors' withdrawal of budgetary support has further undermined the financial position of the state, pushing it to increased dependency on tobacco companies who mediate access to foreign exchange. As a result, three powerful government sectors - Ministries of Trade, Finance and Agriculture - have become cheerleaders of the tobacco industry. In this political and economic context, leaf companies have a blank cheque that allows them to get away with even the worst forms of exploitation of smallholder growers. The leaf companies undermine the regulatory and policy making institutions to their advantage, and they are now pushing government to replace the auction system with their preferred contract marketing system. The state and leaf companies are not the only ones benefitting from an opaque tobacco management and marketing system. Growers' associations and other players also make money selling services that are sometimes not always beneficial to the farmer, raking in exorbitant fees in the process.

The major argument in this discussion is that the exploitative commodity production and marketing system originally set up in the colonial era is still in place, only this time the state is not the lead actor. I also argue that the powerful interests that operate and manage the tobacco commodity system in Malawi have all the incentives not to publicize anything that suggests impending doom for tobacco to the growers. These actors have all the incentive to continue raking in profits from a pariah crop for as long as they can, by showing the tobacco grower a picture of a healthy and vibrant industry that is set to survive into the future.

### **8.3 Distinguishing Coping from Adaptation**

Findings from this study have shown that there is a continuum that links short-term coping mechanisms with long-term livelihood adaptation, but it is useful to retain the distinction between the two concepts. Tobacco growers at Kumala employed several types of coping strategies. For example, faced with losses from poor prices, and depending on the magnitude of loss, some households sold assets to raise capital to enable them go back to tobacco farming. Households also resorted to growing lesser value crops such as groundnuts

and Soy. Depending on the loss this is done for a number of years in order to raise sufficient capital in order to go back to tobacco farming. This shows that rural growers employ a sequence of coping measures in incremental steps. If, for example, selling assets fails to raise the required capital to enable households return to tobacco farming immediately, the household would turn to groundnut farming. If both of these fail, households move to the worst case scenario where they sell critical productive assets such as farm plots and eventually become laborers on neighboring estates or go to Mozambique to become tenants. Besides showing that coping activities are not just knee-jerk reactions to welfare failure, this study has also shown that there some calculations and trade-off involved when people employ coping mechanisms. For example, people who made losses from tobacco start betting the value of land and other assets in their possession against future income. They are also trading-off the value of close family relationships (which would be broken if they migrated) against future income.

Among respondents from cases study households who eventually made adaptive adjustments by exiting tobacco farming to start different enterprises, the ethnographic record shows that they also undertook similar coping activities before switching to other enterprises. For instance, after making losses in tobacco Gibson grew alternative crops with the hopes of returning to tobacco farming but he ended up making horticulture his long time livelihood. Manfred grew groundnuts to cope with tobacco losses before eventually diversifying into bean farming. Some scholars have pointed at similar scenarios, where the same activity is at one point considered a coping mechanism and an adaptation at another, as a source of methodological confusion. However, I find it useful to maintain that distinction especially in the context of growers' perception of long-term viability of tobacco farming which shows that there is clear difference in intent and outcomes of their actions. For this research there was need to separate easily reversible changes such as temporarily growing groundnuts in order to go back to tobacco as opposed to long-term commitment to stay away from tobacco and the resulting investments into acquiring knowledge and skills to go into other enterprises such as bean farming and bread-making. I argue that to sort out the confusion that sometimes arises in classifying coping mechanisms vs adaptation, researchers need to complement information about the involuntary nature of coping mechanisms forced upon people due to shocks, with

information on the intent of rural producers as they proceed into the future. In addition, long-term fieldwork can help researchers separate coping from adaptation by showing the effects of such strategies. Through sustained fieldwork, researchers would be able to tell if what started as a coping mechanism, if successful, will allow producers to go back to their old livelihoods while unsuccessful coping will lead to deterioration of welfare and loss of assets. Similarly, researchers would be able to tell if what started as a coping mechanism should be categorized as an adaptation if it leads to newer portfolios of activities and increased wealth and income security.

#### **8.4 Framing a Livelihood Crisis. Towards Preventing and Managing Future Rural Livelihood Crises**

The livelihood crisis facing tobacco growers at Kumala is largely a result of a compromised state with weak bargaining power, but it should also be seen in the context of a struggle for meanings attached to tobacco between the tobacco industry and anti-smoking advocates led by the WHO. Anthropologists, historians and other scholars have documented the changing meanings surrounding tobacco from a symbol of masculinity, freedom, and independence, to a symbol of addiction and illness (Brandt 2007, Goodman 1994). But these changes have been hotly contested as tobacco companies fight back with counter narratives which present smoking as a symbol of freedom, whose consumption is an expression of individual choice. In the midst of this struggle for meaning, rather than slow down, the production and consumption of tobacco is actually increasing. The revenues of tobacco companies are also growing. The 2015 and 2016 financial statements from four tobacco conglomerates; Philip Morris, Japan Tobacco International, Reynolds American and Alliance One, show that individually, these companies reaped healthy profits and that as an industry, they are upbeat about the future. The industry expects revenues to grow into the foreseeable future owing to population growth, an increase of smokers in Asia, and the expanding premium cigarette market in Europe (Philip Morris, 2017, JTI 2015, Alliance One 2016, Reynolds American 2016). But these increased revenues are not finding their way into the pockets of growers such as those at Kumala. The major reason for this is that the tobacco industry has creatively chosen to work with, and around the discourses that malign tobacco, to

entrench their position of power with regard to growers and governments which rely on tobacco revenue. Tobacco companies paint a positive picture of growing revenues to some audiences such as shareholders. Similarly, they paint an upbeat picture to growers to encourage them to keep growing tobacco and disregard anti-tobacco efforts. But where it suits them, tobacco companies in Malawi have used the argument of low global demand of tobacco, owing to anti-smoking efforts by the WHO, to justify low prices paid to growers. In addition, the industry has adopted the Integrated Production System (IPS)/Contract Farming approach ostensibly to ensure traceability for all fertilizers and chemicals that go into the production of tobacco. This is done to ensure ‘clean’ tobacco for smokers. The traceability imperative allows tobacco companies to lock growers in contracts. Through such contracts, these tobacco companies become the only suppliers of ‘approved’ inputs and other added services including financing to contracted growers. These added services also help boost the profits of tobacco companies (See Alliance One Financial Statement 2016).

Broadly, this dissertation calls for a much more nuanced framing of a crisis. I look at the livelihoods crisis among tobacco growers in Malawi, not as an inevitable collateral damage of market instability brought about by globalization of agriculture. Rather I locate the origins of the crisis through the workings of a shrewd global industry that selectively adopts and uses contradictory discourses to marginalize growers and hold them in a constant state of crisis. I also trace it to the tobacco establishment in Malawi- the policy making, regulatory and marketing institutions that seem to normalize market instability and smallholder losses as ‘part of the game’.

### **8.5 Employing Evaluative Concepts: Sustainability, Vulnerability/Marginalization, and Human Capabilities**

Preventing or ameliorating future rural livelihood crises depends on reducing vulnerability, enhancing livelihood (income) security and building human capacities. Drawing from the concepts of sustainability, vulnerability and human capabilities in the livelihoods literature, I provide an assessment of the possibility of the people at Kumala attaining favorable livelihood outcomes and reducing vulnerability to future crises.

Growers at Kumala remain in a vulnerable position economically and politically. To

begin with, the continued erosion of their incomes by the state and leaf companies leaves them with fewer resources to cope and recover from this and future crises. Secondly, as the war on tobacco by WHO and other initiatives intensifies, tobacco growers at Kumala and elsewhere will more likely be on the receiving end of that war. On its part, the tobacco industry will continue to refer to messages from anti-smoking campaigns to undermine their captive growers. This is particularly disadvantageous to tobacco growers because unlike other crops like coffee where there is possibility of an international framework to manage volumes and prices, no such framework would be possible for tobacco at a time when the WHO and some countries are working towards the reduction of smoking. This scenario leaves tobacco companies in a powerful position in relation to growers and impoverished governments that desperately need revenues from tobacco. In this sense tobacco growers at Kumala are highly exposed to external market shocks emanating from global processes. Tobacco growers are further exposed to locally generated external shocks because they have to deal with multiple institutions whose only interest is to perpetuate tobacco growing. These institutions will not provide the right signals to promote smallholders understanding of the risks they face. Added to that, smallholders face multiple stresses including weather, currency fluctuations and an unstable policy environment.

In terms of building human capability and adaptive capacities for the future, growers' capacity is not in any way enhanced because they do not have the information they need to make decisions. I follow Bebbington (2005) to say possession of assets like human capital - education, skills etc- is not just about ability to produce more and efficiently, but also self-awareness to be and engage meaningfully with and change one's world. Ultimately this points to the ability to access and utilize information to understand changes in your environment. Growers at Kumala and others like them have no place and no voice at the table within the establishment that drives the tobacco industry. With no political representation, and lacking any organizational ability, smallholders have no access to information critical for making long-term livelihood decisions. The growers at Kumala are locked in contracts with leaf companies with little room for negotiation and they have no information outside what the companies give them to make meaningful choices about their livelihoods in the future. Looking at all these factors I argue that what is happening among smallholder tobacco farmers

now is the erosion of adaptive capacities.

## **8.6 Future Research and Policy Recommendations**

This study started with the broader question asking if farmers are going to be able to adapt to future institutional and structural changes in global agriculture. This study and other studies on rural livelihoods have shown that farmers and small producers are resilient to a lot of changes, be they environmental, demographics, technological. But the question to begin to ask now is whether the farmers are going to thrive as they adapt to future changes. The goal is not just to have farmers adapt but they need to secure their livelihoods and enhance wealth as they adapt. This dissertation has shown that there is need for more research on how rural producers and farmers perceive risk and make decisions to adapt. There is need for nuanced investigation into risk and culture, especially the link between identity and the perception of risk. This study has shown that the persistence of tobacco farming is partly tied to notions of masculinity among some men. The notion that growing tobacco fulfils expectations of what it means to be a man of status in the village has implications on how some men may or may not perceive long-term risk to their tobacco based livelihoods.

Conversely, this research has shown that in some cases people are prepared to forgo opportunities for stable and sometimes higher income for risky options that have been known to fail time and again. There is need for further research on why rural producers stick to economic options that do not necessarily give the highest returns (from a rational choice perspective). This line of research could further delve into specific nature and social context in which some crops are grown (or enterprises undertaken) that ensure that some rural producers do not think of diversifying into crops or enterprises not within their traditional purview. The kinds of research I propose here would add knowledge to our collective understanding of global change by shedding light on how specific groups of people perceive and react to different kinds multiple risks including climate change and market shocks. It would also produce knowledge that would inform policy on how governments and development agencies could best support livelihood diversification at the local level.

The government of Malawi and development partners need to enhance resilience and support viable livelihood adaptation among smallholder tobacco growers. For this to happen

here is what is needed.

### **i. Government that Prioritizes Small Producers**

Government needs to prioritize the needs of smallholder farmers. This means providing conditions in which smallholders thrive and providing critical information, not just on technical production matters, but also on the changing institutional and structural changes in the sector. To this end, the Malawian government needs to take serious stock of the state of the tobacco industry and communicate with growers about the effects of initiatives like the anti-smoking lobby and the possibility that one day tobacco farming may come to a stop. Such a signal would not mean that farmers should abandon tobacco right away, but rather to encourage them to explore and invest in alternative livelihood options for the future. In addition, government must act on behalf of growers and stabilize the tobacco market. This would stop the eroding of resources from smallholders to allow them build reserves to invest in other enterprises. Furthermore, the government should provide stable marketing avenues for other crops. There is need for transparent marketing avenues such as local commodity exchanges, with adequate physical infrastructure where growers are assured of basic minimum prices.

### **ii. Independent Farmer Driven Institutions**

The most notable farmer cooperatives and associations including tobacco clubs currently operating in Malawi have been initiated either by the Ministry of Agriculture or the tobacco establishment to facilitate tobacco production and marketing in Malawi. There is need for farmer centered and farmer driven institutions. These institutions would have the income security and welfare of growers as their chief objective, and not the promotion of a specific crop. Free from ties to any specific industries or the government, these institutions would be able to provide farmers with accurate information on the prospects of specific crops and they would be able to lobby government and confront corporate interests seen to be exploiting farmers.

### **iii. Invest in the Farmer of the Future**

Finally, there is need to invest in the farmer of the future that can understand changing dynamics of agriculture locally and globally. In this study many respondents related that they grew tobacco because everyone else did. This mindset provides a loop hole which allows tobacco companies and the state to profit from growers' blind loyalty to tobacco. There is need to change mindsets and the best way to do this is to ensure that farmers are able to access and make sense of information. This can be done through providing information on a wide range of subjects including agribusiness, commodity pricing and sustainable farming. This would require reform of extension services so they are better organized and that extension agents are well trained to carry out their roles in the 21st century.



## Appendix 1

### Interview Guides for Tobacco Farmers

For the tobacco farmers on contract vs tobacco farmers not on contract

#### General Questions: Life as Tobacco Farmers

**Family size** - how many kids, adults

**Education level** - for head of household (# of years of schooling)

**Farm size data** - how much land holdings? How much is allocated to tobacco? (collect quantitative data)

Total land

Total to tobacco

**Labor:** How much labor did you use this year? Did you have to hire someone?

**Assets:** What kinds of assets do you have? *List type and numbers*

Type	How many
------	----------

**Income portfolios:** What other activities bring you money? How much?

Agriculture Income

Item	MK
------	----

Tobacco

Maize

Groundnuts

Livestock

Non Agricultural Income

Item	MK
------	----

Wage

Non Wage

Remittances

Total Income

### **Growing tobacco**

Recount to me your beginning and your life as a tobacco farmer

What is the role of tobacco in your household economy - (*the place of tobacco in the livelihood strategy mix*)

What are the challenges you face as a tobacco farmer?

How is the market for tobacco working these days? (*perception of market instability*)

Have you ever lost out due to low prices at the auction floor?

What are your responses to low prices?

What did you do to get back on track/recover your assets etc?

### **The future of tobacco.**

What do you think is the cause of these fluctuating/low prices?

What are the changes you have noticed around farming and marketing of tobacco?

What do you think about tobacco farming in the long term?

Have you heard about efforts in other countries to restrict/ban smoking?

Do you think about quitting tobacco farming? What will you be doing?

### **Discourse.**

What do people say about tobacco growing/growers? About successful/failing tobacco farmers? About those who quit growing tobacco?

### **For those on contract with companies**

How long have you been with the company?

Do you have a contract document? What does it say?

What are the expectations of the company? What do you expect from the company?

How does the contract work in reality?

How does the financing work? How much money did you get? What's in the package?

What are the preferential marketing arrangements?

How much do you repay?

How much expert advice do you get from the tobacco company?

What are the advantages and disadvantages of being on contract?

Social differentiation: how were you selected? What factors would make one eligible/inelegible?

Do you think being on contract has helped boost your incomes?

What assets have you acquired through tobacco farming?

Do you belong to any other clubs/associations/cooperatives? TAMA, NASFAM, etc?

**For those not on contract**

Why are you not on contract?

Do you aspire to be on contract?

Why or why not?

What is the difference in terms of marketing arrangements?

What has been your revenue from tobacco in the past three years?

What assets have you acquired through tobacco farming?

Do you belong to any other clubs/associations/cooperatives? TAMA, NASFAM, etc?

## **Appendix Two**

### **Tobacco Control Commission Information Guide**

1. What types of tobacco are grown in Malawi and in what amounts?
2. Where (districts) are the specific types of tobacco grown in Malawi? What amounts?
3. What have been the production trends for each of the tobacco types over the last ten years (volume for each year)?
4. What has been the price trend for each of the tobacco types for the last ten years (average price for each year)?
5. What is the estimated number of estates, smallholder growers, and clubs that grew tobacco in the last five years, including 2014?
6. What has been the contribution of tobacco to GDP in 2013/14
7. What volumes were sold on Auction vs Contract for each of the tobacco types in the last five years?
8. Who are the major buyers of the different types of Malawian tobacco by volume (3 of kgs purchased by buyer)?
9. What legal and policy framework underwrites the tobacco industry (relevant legislation and policies)?
10. What changes/realignments are happening in the industry? Sourcing, quality standards, processing, consumer tastes, etc.
11. What investments are taking place (volumes in \$m)?

## **Appendix Three**

### **Interview Guide for Representatives of Tobacco Companies**

#### **Changes in the tobacco environment**

What do you consider to be the key changes in the tobacco environment, nationally and globally?

How are they affecting your working relationship with farmers, the government?

#### **Coverage**

How many farmers did you contract in 2014/2015? How much hectareage?

What factors do you consider when selecting farmers to enroll?

What do you tell them about the future of tobacco in view of uncertain and fluctuating prices?

How much of each type of tobacco do you need annually by type? What are your export destinations by volume?

How does ISP work?

What package of inputs do you provide?

Why are there no written contracts between the farmer and the company?

Why are some farmers on contract even having difficulties to sell their tobacco?

#### **How does financing work?**

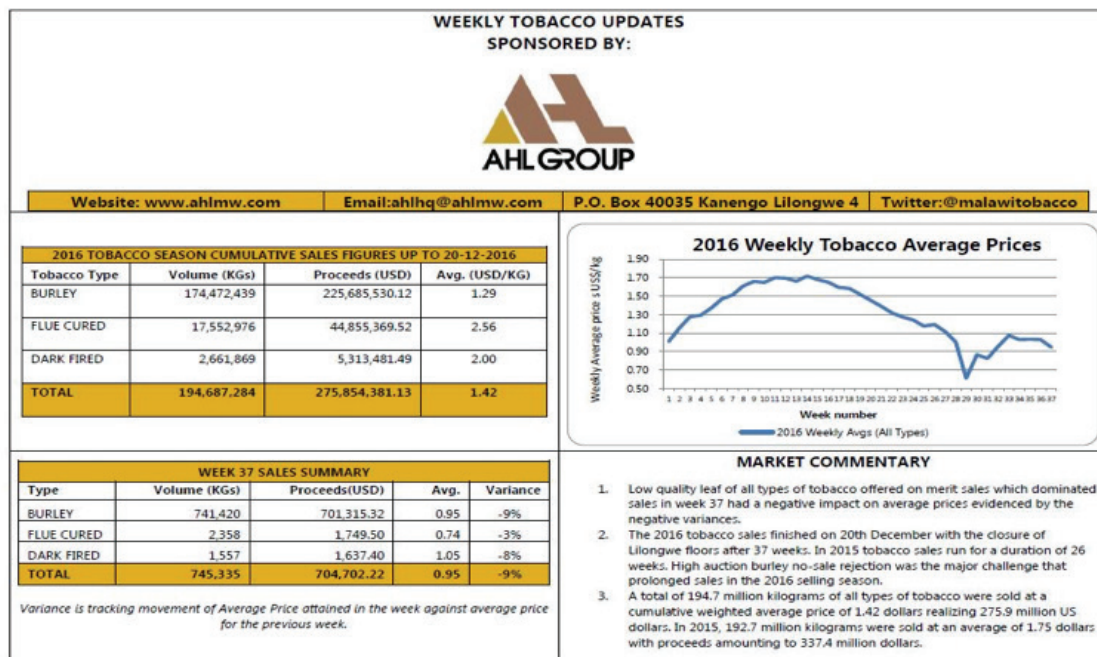
Why do you charge growers' debt in dollars?

Why don't growers know their loan amounts as soon as they take delivery of inputs?

Why is there preference of contract marketing over auction?

## Appendix Four

### Tobacco Final Sales Week 2016



# Appendix Five Burley Grades and Minimum Prices 2015

TOBACCO CONTROL COMMISSION		
2015 APPROVED BURLEY TOBACCO MINIMUM PRICES		
NO LEAF POSITION	GRADES	2015 Approved Minimum Price (US\$/Kg)
1 STRIPS & SCRAPS	A1	1.40
2 STRIPS & SCRAPS	A2	1.00
3 CUTTERS	C1L	2.10
4 CUTTERS	C1LF	2.15
5 CUTTERS	C2L	2.00
6 CUTTERS	C2LF	2.10
7 CUTTERS	C3L	1.90
8 CUTTERS	C3LF	1.95
9 CUTTERS	C3LJ	1.80
10 CUTTERS	C3LK	1.65
11 CUTTERS	C3MD	1.70
12 CUTTERS	C4LD	1.40
13 CUTTERS	C4LG	1.30
14 CUTTERS	C4LJ	1.55
15 CUTTERS	C4LK	1.50
16 CUTTERS	C4MD	1.50
17 CUTTERS	C5LD	1.10
18 CUTTERS	C5LJ	1.25
19 CUTTERS	C5LK	1.20
20 CUTTERS	C5MD	1.20
21 LEAF	L10	2.55
22 LEAF	L1R	2.60
23 LEAF	L20	2.45
24 LEAF	L2R	2.50
25 LEAF	L3LD	1.85
26 LEAF	L3MD	2.05
27 LEAF	L30	2.30
28 LEAF	L3OK	1.95
29 LEAF	L3R	2.35
30 LEAF	L4LD	1.65
31 LEAF	L4MD	1.85

NO LEAF POSITION	GRADES	2015 Approved Minimum Price (US\$/Kg)
32 LEAF	L40	2.10
33 LEAF	L4OG	1.35
34 LEAF	L4OJ	1.80
35 LEAF	L4OK	1.70
36 LEAF	L4R	2.10
37 LEAF	L5LD	1.40
38 LEAF	L5MD	1.50
39 LEAF	L50	1.65
40 LEAF	L5OJ	1.55
41 LEAF	L5OK	1.35
42 THIN LEAF	M10	2.40
43 THIN LEAF	M20	2.30
44 THIN LEAF	M30	2.10
45 THIN LEAF	M40	2.00
46 NON-DESCRIPT	NG	0.85
47 LUGS	X1L	2.30
48 LUGS	X1LF	2.30
49 LUGS	X2L	2.15
50 LUGS	X2LF	2.30
51 LUGS	X3L	2.00
52 LUGS	X3LF	2.10
53 LUGS	X3LJ	1.80
54 LUGS	X3LK	1.70
55 LUGS	X3MD	1.75
56 LUGS	X4L	1.80
57 LUGS	X4LD	1.10
58 LUGS	X4LG	1.10
59 LUGS	X4LJ	1.95
60 LUGS	X4LK	1.40
61 LUGS	X4MD	1.50
62 LUGS	X5LD	1.05
63 LUGS	X5LJ	1.20
64 LUGS	X5LK	1.15
65 LUGS	X5MD	1.20



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**VITA**  
**TONY MILANZI**

**Education**

PhD in *Cultural Anthropology*  
(expected) August 2017  
University of Kentucky

M.A. in *Sustainable International Development*  
May 2007  
The Heller School for Social Policy and Management  
Brandeis University, Waltham, MA, USA

B.Sc. in *Agriculture*  
November 2000  
University of Malawi, Lilongwe, Malawi

**Higher Education Teaching Experience**

**Independent Instructor**, Department of Anthropology, University of Kentucky  
2010-2017  
Cultures of Sub-Saharan Africa (online class), Summer 2011

- \* Instructor for a course with an enrollment of over 20 students
- \* Mastered the use of online instructional technology to deliver learning material

**Teaching Assistant**, Department of Anthropology, University of Kentucky  
2010-2012

**Introduction to Anthropology, Fall 2012**

- \* Facilitated 3 course sections with 20 students each
- \* Helped design lessons to ensure active learning
- \* Assisted students think through ideas and topics for term projects
- \* Graded assignments and term papers, submitted midterm and final grades

**Cultural Diversity in a Global World, Fall 2010 and Spring 2011**

- \* Facilitated three course sections with 15 students each
- \* Developed an effective communication and instructional style to convey anthropological concepts to students
- \* Graded assignments and term papers, submitted midterm and final grades
- \* Assisted students think through ideas and topics for term projects

**Design and Facilitation of Learning/Training Programs**

Education Facilitator, Heifer International, Overlook Farm, Rutland, Massachusetts  
October 2006-May 2007

- \* Led customized experiential group learning sessions on issues of global hunger, environmental sustainability, and sustainable development. These were targeted at varied groups (university students, high school students, church and community groups)
- \* Mastered the use of experiential learning methodologies to teach about sustainable development and world citizenship

\* Received an award for designing and leading effective and culturally appropriate learning sessions

**Program Manager, Malawi Economic Justice Network (MEJN)**

January 2014-August 2016

\* Developed and facilitated a course on economic literacy and national budget tracking to senior management and technical staff of Evangelical Association of Malawi (EAM), April 2016

\* Facilitated 8 trainings on Economic Budget Literacy and Accountability for Governance - courses presented to Civil Society Organizations focused on economic justice in 8 districts in Malawi, 2014-2016

\* Developed and facilitated a course on Qualitative Data Analysis in ATLAS-course presented to staff of Center for Development Management Ltd, March 2016

**Academic Research**

**University of Kentucky, January 2013-November 2015**

Dissertation research exploring the responses of smallholder farmers to a changing tobacco economy in Lilongwe, Malawi

**Pre-Dissertation Research, May-July 2011**

Research on household vulnerabilities and livelihood adaptation in the context of climate change in T/A Chapananga, Chikwawa, Malawi

**Independent Research, January-May 2010**

Conducted research into the organization and effectiveness of the alternative food movement in Lexington, Kentucky

**Professional Experience**

**PROJECT MANAGEMENT**

**Program Manager, Malawi Economic Justice Network**

January 2014-August 2016

\* Managed 2 projects on citizen engagement on national and local budget processes, and social accountability in the health and education sectors around service delivery, and procurement and distribution of teaching and learning materials.

\* Provided strategic guidance to program teams to ensure program goals are achieved.

\* Financial management on a \$705,000 World Bank funded and a 360,000 euro European Union funded project to ensure adherence to budgets and financial management guidelines.

\* Developed, deployed, and supported project specific as well as organization wide monitoring and evaluation system.

\* Led the planning, design, and preparation of new projects and project activities on 3 social accountability projects.

\* Coordinated the implementation of a complex multi-partner World Bank funded program.

\* Staff supervision: provided technical guidance including development and appraisal of individual work plans and performance for an eight member program team.



## **CAPACITY BUILDING**

**Program Manager**, Malawi Economic Justice Network

January 2014-August 2016

\* Hired, trained, and deployed teams to implement a World Bank funded citizen procurement monitoring project.

\* Developed and implemented a capacity building program to strengthen capacity on citizen led service delivery and procurement monitoring for district based community organizations. The program included training, sub-granting, and mentoring.

## **Contributing Author**

MEJN (2016) 2016/17 Financial Year Pre-Budget Analysis: Malawi, Moving Towards Hope or Oblivion?

MEJN (2015) 2015/16 Financial Year Pre-Budget Analysis: Tracing Malawi's Allocative Efficiency and Policy Direction after 51 Years of Political Independence.

Salephera Consulting (2014) A Study on the Impact of the Phasing Out of Project Implementation Units (PIUs) from the Government of Malawi. Paper submitted to Office President and Cabinet-Projects Programmes Implementation, Monitoring, and Evaluation Department (PPIMED).

## **References**

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